SASKATCHEWAN

Report of the Provincial Auditor

to the Legislative Assembly of Saskatchewan

**2007 Report
Volume 3**

Provincial Auditor Saskatchewan

Vision

We envision effective, open, and accountable government.

Mission

We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability.

2008-01845/

November 26, 2007

The Honourable P. Myron Kowalsky
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *2007 Report – Volume 3*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

Fred Wendel, CMA, CA
Provincial Auditor

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Our 2007 Reports

In 2007, our Office issued six other public reports to the Legislative Assembly. Following is a list of those reports. If you wish to obtain copies of these reports, or wish to discuss or receive presentations on the contents of any of these reports, please:

♦ visit our website at:

www.auditor.sk.ca

♦ contact our Office by Internet e-mail at:

info@auditor.sk.ca

♦ write, phone, or fax us at:

Provincial Auditor Saskatchewan
1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V2
Phone: (306) 787-6398
Fax: (306) 787-6383

Our Reports:

♦ *Report to the Legislative Assembly of Saskatchewan on the 2006 Financial Statements of CIC Crown Corporations and Related Entities: April 2007*

♦ *Report to the Legislative Assembly of Saskatchewan on the Financial Statements of Crown Agencies for Years Ending in the 2006 Calendar Year: April 2007*

♦ *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan: 2007 Report – Volume 1 (May 2007)*

♦ *Annual Report on Operations For the Year Ended March 31, 2007 (June 2007)*

♦ *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan: 2007 Report – Volume 2 (September 2007)*

♦ *Business and Financial Plan For the Year Ended March 31, 2009: As Presented to the Standing Committee on Public Accounts: November 2007*

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Observations

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Introduction

My Office helps to improve how government agencies manage public resources. We also help to improve the information government agencies give to the Legislative Assembly. We do this by independently auditing all government agencies and reporting our results and recommendations to the Legislative Assembly.

Our audits continue to focus on how government agencies manage risks related to the key forces and trends that affect them. Managing these risks is critical to effective government services and the ability to pay for those services. The key forces and trends affecting the Government include advancing technologies, managing infrastructure, pressures on the environment, population changes, and managing for and demonstrating results.

We expect government agencies to have a clear plan of what they want to achieve, identify the risks that could prevent them from carrying out their plans, and have strategies that devote their resources to reducing key risks. Key risks are those that present the greatest threat to achieving their plans. We also expect government agencies to monitor their progress in achieving their plans and to change their strategies when progress is not satisfactory.

We expect government agencies to tell legislators and the public what they plan to do and how much it should cost. They should then tell legislators and the public what they actually did and what they spent. Having to answer for what they actually did compared to what they planned to do improves how government agencies manage public resources.

The Government delivers its services through about 275 agencies. These agencies include departments, Crown corporations, authorities, boards, commissions, and special purpose funds. Appendix 2 of this report lists these agencies. This report covers 135 agencies. The rest of the agencies were covered by our 2007 Report – Volume 1.

For the most part, the agencies covered by this report have adequate controls to manage risks to public resources. A few agencies, however, have serious problems.

Control problems

Under the headings of protecting information, protecting the public, and protecting public money, I highlight some of the more serious control problems. Government agencies should move quickly to fix these problems.

Protecting information

Advances in information technology have a large impact on the risks at government agencies. Computer systems and networks bring new risks to the security (i.e., accessibility, confidentiality, integrity, and privacy) of information that agencies use to manage.

Managing the security of computer systems becomes increasingly complex when those systems are connected to the Internet. The Government has many systems that are critical to the operation of government agencies. Many of these systems are connected to the Internet and contain critical, private, and confidential information. The Government must protect those systems to ensure they are not compromised in a way that affects the ability of government agencies to operate. Also, it must protect private and confidential information from unauthorized disclosure.

The following are three central agencies that provide computer services for other agencies. The central agencies need to improve their security. Also, the agencies receiving computer services need to improve their security practices so only authorized staff have access to the systems and data at the central agencies.

Chapter 14—Information Technology Office reports on the security of the computer services the Office provides to government departments. The Office provides computer services to most government departments. Those departments previously provided their own computer services. When systems and data are consolidated in one data centre, the impact of a security breach increases.

We report that the Office needs to follow its security policies to effectively protect the departments' systems and data. It also does not have a disaster recovery plan that meets departments' needs.

In other chapters, we report that some departments that use the Office's computer services do not have adequate practices to ensure only authorized staff have access to their systems and data. Also, many departments have not determined their disaster recovery needs.

Chapter 11—Health reports on the Department's computer security practices for the services the Department provides to regional health authorities, the Saskatchewan Cancer Agency, Saskatchewan Association of Health Organizations, and other health-related agencies. The systems and data for these agencies contain critical, private, and confidential information.

We report that the Department's practices were not adequate to protect the agencies' systems and data. Also, the Department does not have an adequate disaster recovery plan.

We also report that five regional health authorities and the Saskatchewan Cancer Agency need to establish better policies to secure their systems and data at their premises.

Chapter 20—Public Service Commission reports on the Commission's computer security practices for the payroll services it provides to government departments. The system contains the personnel and payroll information for government employees who work in departments.

We report that the Commission needs to test its disaster recovery plan and monitor access of staff who use the system. Also, the Commission must provide departments with better information to monitor their payroll.

In other chapters, we report that many departments have not adequately reviewed the accuracy of key payroll data before paying employees. In part, this was because the system did not provide adequate reports to do so. As well, some departments have not ensured that only authorized ·employees had access to the system.

Protecting the public

The Government regulates a number of activities that are carried out in society to protect the public. We looked at processes to protect patients

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from contracting an infection in hospital, processes to protect the restaurant food we eat, and processes to protect the investing public.

Chapter 11—Health reports that Sunrise Regional Health Authority's practices for managing hospital-acquired infections need improvement. The Authority needs an overall plan for preventing infections. Also, it needs to report and monitor rates and causes of infections and progress towards targets. Hospital-acquired infections increase the Authority's costs and pose risks for patients.

Chapter 11—Health reports that the Sun Country Regional Health Authority has reasonable practices for monitoring eating establishments. However, where re-inspections are needed, it must do these within the time frames in the Public Health Inspection Work Guide.

Chapter 15—Justice reports that the Saskatchewan Financial Services Commission needs to do a much better job of investigating complaints to protect the investing public. The Commission needs to allocate its resources to the complaints that present the greatest risks to the investing public. It needs a formal process for investigating complaints, and it needs to make sure that staff follow that process. The Commission also should monitor the progress of complaints.

Protecting public money

In 2005, we reported losses of public money of about $1.5 million at the departments of Community Resources and Environment and recommended practices to prevent and detect such losses in the future. While these departments are making progress, the conditions that allowed the losses persist today. These departments must continue to train staff in the use of approved practices and closely supervise them.

Public accountability problem

The Government has a responsibility to give the Legislative Assembly reliable information about its financial performance. It has not done so for the financial performance of the General Revenue Fund.

Legislators and the public should be concerned when the Government does not use generally accepted accounting principles to report on its

financial performance. Inappropriate reporting misrepresents financial performance and makes it more difficult for legislators and the public to hold the Government accountable.

The Government continues to use inappropriate principles to report the financial position and results of the General Revenue Fund. The financial statements do not show the total debt. Debt is understated by $4.66 billion. Also, the financial statements show a surplus of $293 million for the year ended March 31, 2007. However, the correct result for 2007 was a $15 million deficit. *Chapter 9—Finance* discusses this matter.

Acknowledgement

The Office fulfills its responsibilities through the dedicated efforts of its staff. Their knowledge and commitment make this report possible. A list of staff is set out in the following exhibit.

Exhibit

My colleagues at the Office of the Provincial Auditor for Saskatchewan are:

Ahmad, Mobashar	Kotylak, Jonathan
Anderson, Mark	Kress, Jeff
Atkinson, Brian	L'Heureux, Desirée
Bachelu, Gaylene	Lindenbach, Michelle
Bailey, Brendan	Lipoth, Becky
Bell, Kelli	Lowe, Kim
Bernath, Eric	Martens, Andrew
Blelloch, Kevin	Montgomery, Ed
Bogdasavich, Michelle	Mowat, Audra
Borys, Angèle	Nyhus, Glen
Clemett, Tara	Ochieng, Jennifer
Creighton, Kerri	O'Quinn, Carolyn
Deis, Kelly	Pattullo, Candice
Dickin, Deann	Ross, Chantara
Drotar, Charlene	Rybchuk, Corrine
Duran, Jason	Schwab, Victor
Ferguson, Judy	Shaw, Jason
Grabarczyk, Rod	Shorten, Karen
Halladeen, Aaron	Sommerfeld, Regan
Hamilton, Scott	St. John, Trevor
Hansen, Melissa	Thorson, Angela
Harasymchuk, Bill	Tomlin, Heather
Heebner, Melanie	Toth, Stephanie
Heffernan, Mike	Volk, Rosemarie
Herauf, Jena	Walker, Sandra
Hoang, Lysa	Watkins, Dawn
Hungle, Angie	Wendel, Leslie
Kahovec, Steven	Zerr, Jennifer
Knox, Jane	

Compilation of main points

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Compilation of main points

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Chapter 2—Advanced Education and Employment

The Department of Advanced Education and Employment (Department) needs to complete its performance plan and human resource plan. These plans are important so that the Department can track and report on its progress, have better information to make decisions, and be more accountable.

The Department needs to review the accuracy of payroll prior to paying employees. Lack of prior review of payroll accuracy increases the risk that employees may be paid incorrect amounts without timely detection.

The Information Technology Office (ITO) delivers information technology services to the Saskatchewan Apprenticeship and Trade Certification Commission (Commission). The Commission needs to sign a service level agreement with ITO to ensure all the Commission's needs are met.

Chapter 3—Agriculture and Food

The Department of Agriculture and Food (Department) is responsible for 14 agencies with March 31 year-ends and two with December 31 year-ends.

The Department needs to review the accuracy of its payroll prior to paying employees to ensure that it approves all employees' pay in accordance with the law. Lack of an adequate review increases the risk that employees may be paid incorrect amounts.

The Department must keep adequate books and records so it is able to prepare accurate financial statements for the Pastures Revolving Fund. Furthermore, it continues to need to provide its staff with sufficient guidance on financial reporting.

Senior employees of Thomson Meats Ltd. need to file their employment contracts with the Clerk of the Executive Council to comply with the law.

Saskatchewan Crop Insurance Corporation has adequate processes to set premium rates under the Canada-Saskatchewan Implementation Agreement and The Crop Insurance Act except for the following. It needs to document its procedures for calculating premium rates, establish

procedures to check the accuracy of the data and formulas used to calculate premium rates, and improve its internal auditor plan.

Chapter 4—Board of Internal Economy

The Board of Internal Economy (Board) needs to make improvements in three areas.

The Board should:

♦ define and receive reports that provide the information it requires to assess its own performance. It should use these reports to monitor its progress in achieving its goals and objectives.

♦ prepare an annual report on its operations. An annual report is a necessary accountability document for all public sector agencies.

♦ complete and test its business continuity plan to help it to continue to deliver its vital services in the event of a disaster.

Chapter 5—Community Resources

The Department of Community Resources (CR) needs to strengthen its processes to ensure that it spends public money only for the purposes intended by the Legislative Assembly. CR must strengthen its processes:

♦ to ensure that only eligible clients receive assistance and that they receive the correct amount of assistance
♦ to ensure that it protects children and that payments to caregivers are authorized
♦ to improve its assessment of community-based organizations' progress in achieving CR's objectives
♦ to ensure it pays its employees the correct amounts

CR needs to test its business continuity plan to help ensure that it can continue to deliver its critical services in the event of a disaster. Also, it must strengthen its information technology security processes to ensure the confidentiality, integrity, and availability of information systems and data.

We also report that an employee misused approximately $26,000 of public money.

We followed up the 20 recommendations in our 2006 report to the Standing Committee on Public Accounts on the special investigation of Oyate ataya Wakanyeja Owicakiyapi Inc. (Oyate) residential care home. Oyate suspended operations on April 13, 2006. Oyate and CR have made some progress in implementing our recommendations. However, we are unable to conclude on the adequacy of those processes until Oyate reopens and operates as a residential care facility for a sufficient period of time. Early in 2008, we plan to assess how well Oyate and CR have applied their new processes. We will report our findings in a future report.

Chapter 6—Culture, Youth and Recreation

The Department of Culture, Youth and Recreation needs to review and approve payroll prior to paying its employees.

The Saskatchewan Arts Board needs to have formal agreements before investing money.

Chapter 7—Environment

The Department of Environment has made progress to address many of our past recommendations but it needs to do more to fully address some of these recommendations relating to:

- segregating duties of employees responsible for disbursement or expenditure of public money
- communicating clearly to its employees its operating policies and ensuring that its employees understand the reasons for the policies
- following established rules and procedures to reconcile its recorded bank balances to the bank's records promptly
- defining and documenting its compliance reporting needs
- preparing a complete business continuity plan

Our new recommendations expect the Department to adequately review the payroll for accuracy prior to paying employees, and include measurable targets and indicators in its human resource plan. Also, it should make a

service level agreement with the Information Technology Office for information technology services.

Also, the Saskatchewan Watershed Authority has addressed our past recommendation to set long-term targets for measures related to dam safety to help it better monitor the effectiveness of its dam safety activities and has made progress on other past recommendations.

Chapter 8—Executive Council

The Office of the Executive Council (Department) needs to review the accuracy of payroll prior to paying employees. Lack of prior review of payroll accuracy increases the risk that employees may be paid incorrect amounts without timely detection.

The Department needs to provide the Legislative Assembly with a performance plan and annual report each year. It also needs to develop systems to measure the results achieved for its key performance measures.

Chapter 9—Finance

Treasury Board continues to use inappropriate policies to account for pension costs and to record transfers between the General Revenue Fund (GRF), the Fiscal Stabilization Fund, and Saskatchewan Infrastructure Fund. The use of these inappropriate policies continues to result in significant errors in the financial statements of the GRF.

The Department of Finance (Finance) provides critical government services directly or through its various special purpose funds and agencies. It relies on computer systems operated by the Information Technology Office (ITO) to deliver some of these services. As reported last year, Finance has not confirmed that ITO has sufficient processes to address the Department's specific requirements, and its agreement with ITO did not sufficiently address the recovery of essential computerized systems and data services in the event of a disaster.

At the start of 2006-07, Finance along with the Public Service Commission implemented a new computer system to process payroll. During the year, Finance did not reconcile the related salary bank account promptly.

Reconciling bank accounts regularly makes sure all charges to bank accounts are proper and money is received and deposited to the correct account.

Finance collects provincial sales taxes of about $800 million annually. Finance has adequate processes to select businesses for audit except for the following. It needs to document the desired outcomes of the audit selection process in measurable terms; it needs to use an overall risk analysis to direct its audit efforts to areas of potential non-compliance with provincial sales tax laws; and it needs to report to senior management on the effectiveness of the audit selection process.

Public plans and annual reports are key documents for helping the Legislative Assembly and the public assess the performance of government agencies. In 2003, Finance established guidelines for preparing public plans and annual reports. The guidelines are adequate except they no longer contain timelines for the implementation of certain key reporting principles; i.e., setting performance targets, explaining key risks and capacity, and the integration of financial and non-financial information. We recommend that Finance prepare an implementation schedule that contains all key reporting principles.

Government accountability is improving. Finance, in conjunction with Executive Council, is responsible to guide Treasury Board agencies on managing and reporting publicly on their performance and to improve accountability. As of October 2007, the majority of departments and larger Treasury Board agencies use accountability frameworks that focus on results. However, a few agencies that handle significant public money do not yet make public their plans and report their progress toward achieving their objectives. Also, neither Finance nor Executive Council have identified a date by which Treasury Board agencies should make public their targets for major results.

Chapter 10—First Nations and Métis Relations

The Department of First Nations and Métis Relations (Department) administers certain aspects of the Agreement between the Government of Saskatchewan and the Federation of Saskatchewan Indian Nations (FSIN) over Gaming (commonly referred to as the Gaming Framework Agreement). For the year ended March 31, 2007, the Department paid

$42.3 million to four community development corporations and the First Nation Trust (administered by FSIN). The Gaming Framework Agreement requires this money to be spent for specific purposes. The Department is charged with making certain that the First Nations Trust and the community development corporation use this money as the Agreement intends.

The Department's processes to monitor spending of the community development corporation are working. However, we continue to report concerns that the Department needs to better monitor spending of the First Nations Trust. Although the Department is entitled to and requests each year, it has not received from the Trust the necessary independent audit report on whether money the Trust receives is properly safeguarded and spent for the proper purposes. Without this report, the Department does not know if the Trust is spending money as required.

Also, the Department needs to complete its performance plan and human resource plan. These plans are important so that the Department can track and report on its progress, have better information to make decisions, and be more accountable.

Chapter 11—Health

Part A of this chapter sets out the results of our audits of the Department of Health (Health) and its Crown agencies. Health needs better reports from health agencies it contracted to provide health services. This would enable Health to monitor their progress in achieving Health's objectives. Health does not have a capital asset plan to manage its $980 million investment in capital assets (e.g., land, buildings, and equipment). It needs a written, tested, and approved business continuity plan to help ensure that it can continue to provide critical services in the event of a disaster.

Also, the Saskatchewan Cancer Agency needs to strengthen the preparation, approval, and implementation of information technology processes to ensure the confidentiality, integrity, and availability of information systems and data.

In addition, the Saskatchewan Association of Health Organizations (SAHO) needs to regularly update its accounting records for its administered benefit plans and approve all bank reconciliations. SAHO should use interim financial reports to monitor its administered benefit plans.

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Part B sets out six financial measures to help the Legislative Assembly and the public to assess the sustainability of health spending. A sound understanding of health spending is important for an informed debate about the affordability of programs and services and the maintenance of Saskatchewan's health care infrastructure.

Part C describes the results of the audits of the 12 Regional Health Authorities (RHAs). Boards of directors of the RHAs need to improve how they safeguard public resources and comply with the law. For example, they need to strengthen their information technology processes to ensure the confidentiality, integrity, and availability of information systems and data.

In Part D, we note that up to 11% of Canadian patients get an infection while in hospital, thus increasing costs and the risk of complications. In 2007, Sunrise RHA had adequate processes to manage hospital-acquired infections except for its processes to plan for the prevention of infections and report the rate and causes of infections.

Part E describes how well the Sun Country RHA does inspections in 350 public eating establishments (e.g., restaurants) to protect the public from food borne illnesses. Those inspections are governed by *The Public Health Act, 1994* and related authorities. The RHA complied with the provisions of the above authorities for the year ended March 31, 2007 except it did not always do follow-up inspections within the required timeframes where it had found food safety concerns in eating establishments.

Part F reports that the Health Information Solutions Centre of the Department of Health (HISC) did not have adequate controls to protect the confidentiality, integrity, and availability of client information technology systems and data. HISC provides many information technology systems that RHAs and other health agencies use to provide health services such as surgeries, drugs, and lab tests.

Chapter 12—Highways and Transportation

Highways provides the public with critical transportation services such as snow plowing. A complete business continuity plan would help ensure it can provide these services in times of a disaster. Although it has started

the development of such a plan, it does not have a complete plan. We continue to recommend that it have a complete business continuity plan.

Since April 2005, Highways have used the Information Technology Office to provide it with most of its information system services without a written agreement. An agreement is important so that each party clearly understands its responsibilities and Highways can effectively monitor the delivery of information technology services. Highways did not adequately control access to its computer network and needs to promptly remove network access from former employees.

Highways needs to take additional steps to make sure amounts paid to employees are accurate and properly authorized.

Chapter 13—Industry and Resources

During 2006-07, we assessed the Department's progress in addressing the recommendations we made in 2003 for verifying producers' royalties and taxes, and in 2005 for identifying the Department's strategic risks.

We concluded that the Department has made progress in addressing our recommendations relating to the assessment and collection of all royalties and taxes due. However, it needs to do more to improve its:

- overall audit plan by including the estimated resources required to carry out the plan
- supervisory practices to ensure that audits are approved and carried out as planned

Also, the Department has made good progress identifying its strategic risks. Now, it needs to implement its established processes for identifying and quantifying the specific risks that it faces.

Chapter 14—Information Technology Office

The Information Technology Office (ITO) provides information technology (IT) services to client departments. During the year, ITO did not adequately review and approve payroll prior to paying its employees. Also, ITO needs signed service level agreements with its clients prior to delivering information technology services.

As a service provider and custodian of client information systems and data, ITO must have controls to protect the confidentiality, integrity, and availability of client IT systems and data. ITO has adequate controls to protect client IT systems and data except ITO needs to:

- follow its security policies and procedures
- protect its systems and data from security threats
- implement a disaster recovery plan for its data centre and client systems

Chapter 15—Justice

The Department of Justice (Justice) needs to improve its processes to track, enforce, and collect fines. Justice does not know if it has enforced all fines and charges.

Justice needs to control employees' pay. It needs to charge municipalities for the cost of policing services in accordance with *The Police Act, 1990*, and test its business continuity plan.

We also report that at March 31, 2007, the Saskatchewan Financial Services Commission (Commission) did not have adequate processes to investigate complaints by the investing public. The Commission needs to establish a formal system to properly allocate investigative resources, monitor investigations, and establish standards for planning, conducting, and reviewing investigations of complaints from the investing public. It should also set performance targets to help measure progress towards objectives. It should require and review sufficient information about investigations of complaints from the investing public to carryout its responsibilities.

We assessed the Superintendent of Pension's progress towards addressing our past recommendations for regulating pension plans we made in 2005.

The Superintendent has fully addressed two of our recommendations and made progress towards the other two. It has broadened its document requirements and guidance for registration and amendment of pension plans and developed alternative ways to obtain information from pension

plan administrators. The Superintendent needs to do more work to expand its analysis of pension plan risks, and prepare a risk-based work plan to supervise pension plans.

Chapter 16—Learning

The Department of Learning (Department) needs to review the accuracy of payroll prior to paying employees. Lack of prior review of payroll accuracy increases the risk that employees may be paid incorrect amounts without timely detection.

The Department needs to follow its procedures for ensuring only authorized staff have access to its systems and data.

Chapter 17A—Liquor and Gaming Authority

In this chapter, we report the results our audit of the Saskatchewan Liquor and Gaming Authority (Liquor and Gaming) for the year ended March 31, 2007.

Liquor and Gaming needs to improve its training and guidance to liquor store employees so they understand and follow established policies and procedures. Also, Liquor and Gaming needs to follow its approved information technology policies and procedures and prepare a complete business continuity plan.

Chapter 17B—Saskatchewan Indian Gaming Authority Inc.

In this chapter, we report the results of our audit of the Saskatchewan Indian Gaming Authority Inc. (SIGA) for the year ended March 31, 2007. SIGA has made significant progress in addressing our outstanding recommendations. By the year-end, SIGA had fully implemented 79% and partially implemented 21% of our past recommendations.

We also report the results of our audit of SIGA's project management processes for the Dakota Dunes Casino from January to August 2007. We report that SIGA had adequate project management processes except that SIGA needs to:

- have adequate dispute resolution processes with its key partners
- improve the construction progress reports it provides to the Board

Chapter 18—Northern Affairs

The Department of Northern Affairs (Department) needs to improve its management of loan and grant programs. For the past two years, we have reported the Department needs to improve its processes. We also make two new recommendations this year to improve processes relating to the management of loans and grants. We recommend that the Department document and communicate its processes to administer its loan and grant programs, and ensure that employees who approve loans do not have authority to record transactions related to those loans.

Also, the Department needs to review payroll for accuracy prior to paying its employees, and it should make a service agreement with its payroll services provider.

Chapter 19—Property Management

In this chapter, we report the results of our audit of the Department of Property Management for the year ended March 31, 2007. We concluded that the Department had adequate processes to safeguard its public resources except it should:

- review and approve payroll prior to paying employees
- develop an information technology strategic plan to help management know if it has addressed all the threats and risks to the Department's security
- follow its established information technology policies and procedures to help ensure the confidentiality, integrity, and availability of information systems and data
- have a complete business continuity plan so it can continue to deliver its programs and services in the event of a disaster
- improve its human resource plan by providing measurable indicators and targets for its key strategies to help the Department monitor its progress
- prepare and independently review and approve all significant reconciliations promptly to reduce the risk that its accounting records and financial reports are not accurate and complete

Chapter 20—Public Service Commission

PSC is a central human resource agency primarily for staff employed by government departments.

PSC is responsible for the computerized human resource administration and payroll system. This system contains the personnel and payroll information. PSC had adequate controls to protect the confidentiality, integrity, and availability of this system with two exceptions. First, it did not have adequate policies and procedures for: monitoring access of staff who use this system, documenting and testing changes made to the system, and providing departments with sufficient information to help them monitor their payroll. Second, although PSC had an approved disaster recovery plan to restore the system in event of a disaster, it had not tested the plan to make certain it works properly.

As a central agency for human resources management, PSC must lead human resources planning within government departments. We found PSC had addressed the two recommendations we made in our 2005 report. It adequately communicates to departments a manageable number of human resource priorities and uses a risk management framework to help identify and analyze of human resource risks.

Finally, we note PSC must complete its own human resource plan and enter into an agreement with the Information Technology Office (ITO) for information technology services it receives from ITO. A complete human resource plan will help it have the right staff at the right time. An agreement with ITO is essential so that PSC can monitor the services ITO provides.

Chapter 21—Regional Economic and Co-operative Development

The Department of Regional Economic and Co-operative Development (Department) did not review the accuracy of key payroll data for each pay period prior to paying employees. This weakness increases the risk that employees may be paid at incorrect amounts.

The Department needs Order in Council approval before making agreements requiring payments greater than $50,000. During the year, it

paid $705,080 to the Saskatchewan Snowmobile Fund under an agreement that was not approved by Order in Council.

Chapter 22—Saskatchewan Gaming Corporation

In this chapter, we report the results of our audit of the Saskatchewan Gaming Corporation (SGC) for the year ended March 31, 2007.

SGC has established adequate policies but it needs to improve its compliance with approved policies relating to marketing and promotion, employees' performance evaluations, and completion of the code of conduct questionnaire. Also, SGC needs to further improve its human resource plan.

Chapter 23—Saskatchewan Power Corporation

Each year, SaskPower buys over $450 million of goods and services. This chapter focuses on adequacy of SaskPower's processes at July 31, 2007 to buy goods and services with individual transaction amounts of less than $100,000. It reports that SaskPower had adequate purchasing processes over these transactions except it needs to do the following:

- consistently follow its established processes that require its staff to: set out the reasons for selecting the purchase method used, and obtain the required approval of purchases before making the purchase decision
- provide its staff with guidance on setting acceptable bid submission deadlines for goods and services that it purchases
- track problems with key suppliers and make this information available for purchasing decisions

Chapter 24—Saskatchewan Research Council

In this chapter, we report the results of our audit of the Saskatchewan Research Council (SRC). To carry on its business, SRC relies extensively on its information technology systems. SRC needs to implement appropriate security controls to protect its information technology systems and data from unauthorized access. This includes improving how it manages employee access and how it protects its systems and data from security threats. SRC also needs to know that it can recover systems and

data in the event of computer problems or a disaster. SRC should test its information technology disaster recovery plan.

Chapter 25—Standing Committee on Public Accounts

The Standing Committee on Public Accounts (Committee) is a key agent of change for improving the Government's management of public resources. The Committee reviews the activities, performance, and reports of all government departments, agencies, and Crown corporations. During its review, the Committee may inquire about past performance, current concerns, and future objectives. Increasingly, the Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement.

Through its work and recommendations, the Committee helps the Legislative Assembly hold the Government accountable for its spending of public money and for its stewardship over public resources. The Government has fully implemented 65% of the Committee's recommendations. Of the recommendations that are not yet fully implemented, 67% are partially implemented.

Advanced Education and Employment

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Main points

The Department of Advanced Education and Employment (Department) needs to complete its performance plan and human resource plan. These plans are important so that the Department can track and report on its progress, have better information to make decisions, and be more accountable.

The Department needs to review the accuracy of payroll prior to paying employees. Lack of prior review of payroll accuracy increases the risk that employees may be paid incorrect amounts without timely detection.

The Information Technology Office (ITO) delivers information technology services to the Saskatchewan Apprenticeship and Trade Certification Commission (Commission). The Commission needs to sign a service level agreement with ITO to ensure all the Commission's needs are met.

Introduction

In April 2006, the Government restructured the Department of Learning into two new departments: the Department of Learning and the Department of Advanced Education and Employment.

The mandate of the Department of Advanced Education and Employment (Department) is to provide leadership and support to advanced education, training, and employment and immigration. The Department also helps connect people with jobs and careers in Saskatchewan.

The Department's responsibilities are set out primarily in *The Department of Post-Secondary Education and Skills Training Act*.

Related special purpose funds and agencies

At March 31, 2007, the Department was responsible for the following special purpose funds and agencies:

	Year-end
Saskatchewan Student Aid Fund	March 31
Training Completions Fund	March 31
Carlton Trail Regional College	June 30
Cumberland Regional College	June 30
Cypress Hills Regional College	June 30
North West Regional College	June 30
Northlands College	June 30
Parkland Regional College	June 30
Prairie West Regional College	June 30
Southeast Regional College	June 30
Saskatchewan Apprenticeship and Trade Certification Commission (SATCC)	June 30
Saskatchewan Institute of Applied Science and Technology (SIAST)	June 30

Financial overview

As set out in the table 1, the Department spent over $689 million in 2006-07.

Table 1

	Estimates 2006-07[1]	Actual 2006-07
	(in millions of dollars)	
Central Management and Services	$ 16.6	$ 17.5
Student Support Programs	78.9	73.3
Post-Secondary Education	436.0	517.9
Immigration	6.3	4.7
Training Programs	35.4	44.7
Career and Employment Services	29.1	30.1
Capital Asset Acquisitions	(0.8)	(1.1)
Capital Asset Amortization	2.4	2.3
	$ 603.9	$ 689.4

In 2006-07, the Department had revenues of $59.2 million of which 92% came from the Federal Government primarily for labour market development programs.

The Department's *2006-07 Annual Report* sets out the reasons for the major differences between actual financial results and the estimates (www.aee.gov.sk.ca).

Audit conclusions and findings

This section reports the results of our 2007 audits of the Department, the Training Completions Fund, three of eight regional colleges (i.e., Carlton Trail, Cypress Hills, and North West), SATCC, and SIAST.

The chapter also provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented.

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[1] Saskatchewan Finance, *2006-2007 Saskatchewan Estimates.* The Estimates total does not include the additional $37.473 million authorized through the *Saskatchewan Supplementary Estimates* for Learning (Vote 5) and a statutory adjustment.

In our opinion, for the fiscal years ending on or before June 30, 2007:

- the Department and the above-listed agencies had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter

- the Department complied with authorities governing its and the above-listed agencies' activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter related to approving employees' pay reported in this chapter

- the financial statements of the above-listed agencies are reliable

We audit colleges on a cyclical basis. We work with the appointed auditor of each of these colleges to carry out the audits. We require the appointed auditors of the other five colleges that are not in rotation to provide us with reports that set out the results of their audits. We review these reports and have discussions with related departmental officials to identify if significant matters exist for these colleges. If so, we work with the appointed auditor on these matters. For SIAST, we carry out the audit jointly with the appointed auditor.

Exhibit 1 sets out the appointed auditor for each agency. We use the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.*[2] The auditors of the other five colleges did not report any new matters for the colleges they audited.

Exhibit 1

Crown agency	Appointed auditor
SIAST	Deloitte & Touche LLP, Chartered Accountants
Carlton Trail Regional College	E.J.C. Dudley & Co., Chartered Accountants
Cypress Hills Regional College	Stark & Marsh, Chartered Accountants
North West Regional College	Johnson Svenkeson, Chartered Accountants

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[2] To view this report, see our website at www.auditor.sk.ca/rrd.html

The following sections set out our detailed findings.

Findings—Department

This section includes three new matters and provides an update on the status of previously reported recommendations.

Performance plan needed

The Department does not have a performance plan.

As mentioned earlier, the Department was created in April 2006. The Department did not publish a performance plan for the 2006-07 fiscal year. Also, the Department has not yet published a performance plan for 2007-08.

The Government, through the use of its Accountability Framework, expects departments to prepare performance plans. A public performance plan is a key document used to improve transparency and accountability. It sets out the goals and objectives that departments intend to accomplish over the medium to longer term.

Without a public performance plan, the Department cannot adequately monitor performance. As a result, the Department cannot report its performance completely.

1.   We recommend the Department of Advanced Education and Employment develop a public performance plan.

Management told us that the Department's direction has been communicated through its budget initiatives and its progress reported in the 2006-07 annual report. Management also told us these materials clearly outline priorities related to strategies to attract, develop, and retain skilled workers to support the provincial economy.

Human resource plan needed

The Department does not have a human resource plan.

Effective human resource planning helps the Department to have the right people, in the right jobs, at the right time.

A good human resource plan needs to set priorities and link to the Department's strategic direction. It should also identify key human resource risks and gaps that exist in current and future available resources. The plan should also set out strategies and implementation plans to address human resource risks and gaps.

2.   We recommend that the Department of Advanced Education and Employment develop a human resource plan.

In October 2007, management told us that the 2007-08 Human Resource plan is in the final draft stages and is awaiting approval.

Better control over employees' pay needed

The Department needs to better control employees' pay.

During the year, the Department reviewed its payroll costs during its review of monthly financial reports. However, the Department did not adequately review the accuracy of key payroll data for each pay period prior to paying employees. As a result, employees' pay has not been approved in accordance with *The Financial Administration Act, 1993.*

This weakness increases the risk that employees may be paid incorrect amounts.

3.   We recommend that the Department of Advanced Education and Employment adequately review the payroll for accuracy prior to paying its employees to ensure that all employees' pay is approved in accordance with *The Financial Administration Act, 1993.*

Findings—Saskatchewan Apprenticeship and Trade Certification Commission

Background

The Saskatchewan Apprenticeship and Trade Certification Commission (the Commission) is established under *The Apprenticeship and Trade Certification Commission Act, 1999.* The Commission manages the provincial apprenticeship and trade certification system. This includes:

- designating trades for apprenticeship training and certification

- registering and monitoring the training of apprentices and journey people

- facilitating training delivery

- providing certification of achieved skill levels to apprentices and journey people

- representing Saskatchewan on inter-provincial apprenticeship and trade certification initiatives

In 2007, the Commission had revenues of $13.8 million, including $12.2 million from the Department, and had expenses of $13.6 million. At June 30, 2007, the Commission's accumulated surplus was $1.8 million. The Commission's *2006-07 Annual Report* includes its financial statements (www.saskapprenticeship.gov.sk.ca).

Service level agreement needed

In our 2006 Report – Volume 3, we recommended the Commission sign a service level agreement with the Information Technology Office (ITO) for the delivery of information technology (IT) services.

The Standing Committee on Public Accounts considered this matter in March 2007 and agreed with our recommendation.

The ITO continues to provide IT service delivery for the Commission. The Commission does not have an agreement with ITO to manage the services delivered.

Without a signed service level agreement, there is a risk that the Commission's needs may not be met. Also, the Commission does not know whether its systems and data are secure and available when needed.

We continue to recommend the Saskatchewan Apprenticeship and Trade Certification Commission sign a service level agreement with the Information Technology Office for the delivery of information technology services.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter.[3]

Table 2

PAC REPORT YEAR[4]	OUTSTANDING RECOMMENDATION	STATUS
2007	PAC concurs: 3-2 that the Department of Advanced Education and Employment (formerly part of the Department of Learning) should provide staff with written guidance on situations unique to the Department to help staff avoid conflicts-of-interest.	**Partially implemented** (as at March 31, 2007). The Student Financial Assistance branch within the Department has developed and implemented processes regarding how to handle conflict of interest issues. The Department is currently developing processes and procedures for the remaining branches to ensure all staff are aware of the criteria constituting a conflict of interest situation.

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[3] For the definitions of the key terms used in the table, see Chapter 25 – Standing Committee on Public Accounts pages 398 to 399.
[4] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[4]	OUTSTANDING RECOMMENDATION	STATUS
Saskatchewan Institute of Applied Science and Technology		
2007	PAC concurs: 3-4 that Saskatchewan Institute of Applied Science and Technology should analyze competency gaps for its entire workforce and provide periodic updates to the board.	**Not implemented** (as at October 31, 2005). A follow-up is planned for 2007-08.
2007	PAC concurs: 3-5 that Saskatchewan Institute of Applied Science and Technology should identify barriers to its current and future human capacity and provide the board with a plan to address the significant barriers.	**Not implemented** (as at October 31, 2005). A follow-up is planned for 2007-08.
2007	PAC concurs: 3-6 that Saskatchewan Institute of Applied Science and Technology should regularly inform staff involved in the recruiting process about trends in workforce gaps across SIAST and effective strategies to overcome barriers to human capacity.	**Not implemented** (as at October 31, 2005). A follow-up is planned for 2007-08.
2007	PAC concurs: 3-7 that Saskatchewan Institute of Applied Science and Technology's board should work with management to identify the content and frequency of reports necessary to monitor human resource risks and evaluate progress towards its human capacity objectives.	**Not implemented** (as at October 31, 2005). A follow-up is planned for 2007-08.

Agriculture and Food

3

Main points

The Department of Agriculture and Food (Department) is responsible for 14 agencies with March 31 year-ends and two with December 31 year-ends.

The Department needs to review the accuracy of its payroll prior to paying employees to ensure that it approves all employees' pay in accordance with the law. Lack of an adequate review increases the risk that employees may be paid incorrect amounts.

The Department must keep adequate books and records so it is able to prepare accurate financial statements for the Pastures Revolving Fund. Furthermore, it continues to need to provide its staff with sufficient guidance on financial reporting.

Senior employees of Thomson Meats Ltd. need to file their employment contracts with the Clerk of the Executive Council to comply with the law.

Saskatchewan Crop Insurance Corporation has adequate processes to set premium rates under the Canada-Saskatchewan Implementation Agreement and *The Crop Insurance Act* except for the following. It needs to document its procedures for calculating premium rates, establish procedures to check the accuracy of the data and formulas used to calculate premium rates, and improve its internal auditor plan.

Introduction

The mandate of the Department of Agriculture and Food (Department) is to foster a commercially viable, self-sufficient, and sustainable agriculture and food sector. Working with individuals, businesses, communities, and governments, the Department assists farmers, ranchers, suppliers, and processors to encourage higher value production and processing, and promote sustainable economic development in rural Saskatchewan.[1]

This chapter contains the results of our audits of the Department and its special purpose funds and agencies with March 31, 2007 year-ends and of Thomson Meats Ltd. for the year ended December 31, 2006. It contains the results of our audit of the rate setting process at Saskatchewan Crop Insurance Corporation. Also, the chapter provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented.

Special purpose funds and Crown agencies

The Department is responsible for the following special purpose funds and Crown agencies. Each one has a March 31 year-end unless noted.

Agricultural Credit Corporation of Saskatchewan
Agricultural Implements Board
Agri-Food Council
Agri-Food Innovation Fund
Beef Development Board
Cattle Marketing Deductions Fund
Crop Reinsurance Fund of Saskatchewan
Horned Cattle Fund
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund
Livestock Services Revolving Fund
Milk Control Board (December 31 year-end)
Pastures Revolving Fund
Prairie Agricultural Machinery Institute

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[1] Saskatchewan Department of Agriculture and Food. (2006). *2006-07: Saskatchewan Provincial Budget Performance Plan: Saskatchewan Agriculture and Food.* Regina: Author. page 2.

Saskatchewan Agricultural Stabilization Fund (SASF)

Saskatchewan Crop Insurance Corporation (SCIC)

Thomson Meats Ltd. (December 31 year-end)

Financial overview

Exhibit 1 sets out the Government's total agricultural expenses and revenues as reflected in the Government's summary financial statements.

Exhibit 1

	2007		2006	
	(in millions of dollars)			
Agriculture expenses by program:				
Crop insurance	$	228	$	153
Farm stability		165		280
Other		144		79
	$	537	$	512
Agriculture revenues by source:				
Federal Government	$	130	$	130
Producers' crop insurance premiums		85		105
Sales, services, fees, and other		57		52
	$	272	$	287

The Department's 2006-2007 Annual Report[2] contains information about the Department's revenues and expenses. Each of the special purpose funds and Crown agencies provides its financial statements to the Assembly each year. These are available in the Public Accounts 2006-07 compendium.[3]

Our audit conclusions and findings

Our Office worked with:

♦ KPMG LLP, appointed auditor for
   – Saskatchewan Agricultural Stabilization Fund
   – Saskatchewan Crop Insurance Corporation

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[2] See Department website at http://www.agriculture.gov.sk.ca (22 Oct. 2007).

[3] http://www.finance.gov.sk.ca/paccts/paccts07/compendium/compintro.htm (22 Oct., 2007)

- Crop Reinsurance Fund of Saskatchewan
- Thomson Meats Ltd.

♦ Meyers Norris Penny LLP, appointed auditor for Agricultural Credit Corporation of Saskatchewan

To complete our work on the above-listed agencies, we used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html). Our Office and the appointed auditor of the related agency formed the opinions below.

In our opinion:

♦ the Department and its agencies had adequate rules and procedures to safeguard public resources except where we report in this chapter

♦ the Department and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except where we report in this chapter

♦ the financial statements of the Department's agencies are reliable

Better control over employees' pay needed

The Department needs to better control employees' pay.

During the year, the Department reviewed its payroll costs during its review of monthly financial reports. However, the Department did not adequately review the accuracy of key payroll data for each pay period prior to paying employees. As a result, it did not approve employees' pay in accordance with *The Financial Administration Act, 1993*.

These weaknesses increase the risk that employees may be paid incorrect amounts.

1.   We recommend that the Department of Agriculture and Food adequately review the payroll for accuracy prior to paying employees to ensure that all employees' pay is approved in accordance with *The Financial Administration Act, 1993*.

Pastures Revolving Fund

Through the Pastures Revolving Fund, the Department operates and manages pastures, programs and services related to pasture and livestock management, and pasture use.

For the year ended March 31, 2007, the Fund had revenues of $7.6 million, expenses of $7.9 million, and held assets of $4.1 million.

Financial reporting needs improvement

In 2006-07, the Department did not maintain adequate books and records to enable it to prepare accurate financial statements for the Pastures Revolving Fund.

When preparing financial statements, the Department relies on the preparation of separate working papers that support individual financial statement accounts. It uses financial information drawn from various sources including its Crown Land Management System and inventory and capital asset count sheets.

Consistent with prior years, the 2006-07 financial statements presented for audit contained significant errors. In total, these accounting errors caused the Fund's financial statements presented for audit to understate net income by nearly $200,000, understate assets by $157,000, and overstate liabilities by $356,000. The Department corrected these errors.

Since our 2004 Report – Volume 3, we have recommended that the Department of Agriculture and Food provide written guidance to staff responsible for the Fund's financial reporting. The Standing Committee on Public Accounts reviewed this matter and agreed with our recommendation.

Proper guidance on financial reporting helps staff to keep accurate accounting records and prepare financial statements without errors. The existence of errors in financial reports may result in the Department making decisions based on inaccurate financial information. While the Department has made changes during the year to the Fund's Financial Manual, the manual is not yet complete. For example, the manual does not contain:

- significant accounting policies followed by the Fund and the procedures necessary to ensure financial reports are prepared in accordance with generally accepted accounting principles
- detailed administrative control procedures for all accounting systems to ensure transactions are accurately recorded

The Fund's financial reporting processes need to provide for an appropriate level of review of the financial statements together with the supporting schedules and working papers before they are submitted for audit. This will help ensure the financial statements are complete and accurate. When the Department identifies issues (such as significant errors in the financial statements), it should take steps to address the issues such as providing staff with further direction and training.

We continue to recommend that the Department include sufficient guidance on financial reporting processes in the Pastures Revolving Fund's Financial Manual.

2.   We recommend that the Department of Agriculture and Food maintain adequate books and records to enable it to prepare accurate financial statements for the Pastures Revolving Fund.

Thomson Meats Ltd.

Thomson Meats Ltd. (TML) is a wholly-owned subsidiary of Agricultural Credit Corporation of Saskatchewan. TML is a federally-licensed, integrated meat processing facility providing a variety of fresh and processed food items. At December 31, 2006, it had revenues of $3.6 million, expenses of $3.9 million, and held assets of $4.5 million.

Employment contracts need to be filed

Senior employees of Thomson Meats Ltd. did not file their employment contracts as required by *The Crown Employment Contracts Act*.

The Crown Employment Contracts Act states that the permanent head of a Crown agency and all employees that report to that permanent head must file a copy of their employment contracts with the Clerk of the Executive Council. During the audit, we found that senior employees of Thomson Meats Ltd. did not file their contracts.

3.   **We recommend that senior employees of Thomson Meats Ltd. file their employment contracts with the Clerk of the Executive Council as required by *The Crown Employment Contracts Act*.**

Saskatchewan Crop Insurance Corporation

Saskatchewan Crop Insurance Corporation (SCIC) administers the Canada-Saskatchewan Crop Insurance Program. An Agreement between the Government of Canada (Canada) and the Government of Saskatchewan (Saskatchewan) outlines the terms of the program. Section 12 of *The Crop Insurance Act* (Act) authorizes SCIC to set the premium rates to cover crop insurance claims and a reasonable reserve against unforeseen losses. Saskatchewan, Canada, and the producers share the crop insurance costs.

The Agreement requires SCIC to set premiums at rates sufficient to make the crop insurance program self-sustaining over the long term. The Agreement includes actuarial guidelines that define "self-sustaining" as having a high probability of financial recovery in less than 25 years.

Sound processes to set premium rates help ensure all parties, i.e., producers, Saskatchewan, and Canada, pay their appropriate share of the program costs. Those processes would also help ensure SCIC sets premium rates in accordance with the Agreement and the Act. This would reduce the risk of non-compliance with the Agreement and helps maintain Canada's continued participation in paying for its share of the program.

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Our objective and criteria

Our audit objective was to assess whether SCIC has adequate processes to set premium rates under the *Canada-Saskatchewan Implementation Agreement* (Agreement) and *The Crop Insurance Act* for the year ended March 31, 2007.

We did not assess if the guidelines for determining premium rates included in the Agreement are adequate to make the program self-sustaining or the actuarial soundness of the program.

To do this work, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

The table below sets out the criteria that we used for this audit. These criteria are based upon our research of the literature and audit reports detailed in Selected References. We discussed the criteria with SCIC's management. Management agreed that the criteria are reasonable and attainable.

Audit criteria

SCIC's processes to set premium rates that comply with the *Canada-Saskatchewan Implementation Agreement* (Agreement) and *The Crop Insurance Act*, should:

1.   Collect and evaluate data
1.1.   gather and maintain relevant data (e.g., crop yield, premiums, claims, and price data)
1.2.   verify the accuracy and completeness of data (e.g., producers' yields)
1.3.   maintain integrity of data (e.g., restrict access to data)

2.   Adhere to agreed-upon rate setting practices
2.1.   use best practices for setting rates (e.g., new crops, yield potentials)
2.2.   set rates that are consistent with the Agreement and the *Act*
2.3.   obtain regular actuarial certifications (e.g., premium rate setting methodologies, yield methodologies, program self-sustaining)

3.   Monitor rates
3.1.   report regularly to senior management and the Board about establishing, monitoring and evaluating rates
3.2.   submit required reports to the Government of Canada
3.3.   advise producers promptly of changes to rate setting methods and rates
3.4.   evaluate processes for setting rates to ensure they comply with the *Agreement* (e.g., internal audit examination of rate setting processes)

Our conclusion

As we described earlier, our objective did not include assessing whether the adequacy of the guidelines for determining premium rates included in the Agreement are adequate to make the program self-sustaining or the actuarial soundness of the program.

We concluded that SCIC had adequate processes to set premium rates under the *Canada-Saskatchewan Implementation Agreement* and *The Crop Insurance Act* for the year ended March 31, 2007 except SCIC needs to:

- document and approve all of its procedures for calculating premium rates
- establish and document procedures to check the accuracy of data and formulas used to calculate premium rates
- approve an internal auditor plan that includes follow up of the internal auditor's recommendations

Key findings by criterion and recommendations

We describe below our key findings together with our expectations *(in italics)* for each criterion.

Collecting and maintaining data

We expected that SCIC would have processes to:

- *gather and maintain relevant data (e.g., crop yield, premiums, claims, and price data)*
- *verify the accuracy and completeness of data (e.g., producers' yields)*
- *maintain integrity of data (e.g., restrict access to data)*

SCIC has adequate processes to gather and maintain data. Its policies and procedures manual provides guidance to employees who gather data such as crop yields, crop price data, and premiums. Also, it provides written guidance to employees who verify the accuracy of producer yields and losses claimed. SCIC examines some claims files to determine whether its employees follow its processes to verify yield. SCIC also uses

its insurance computer system to identify producers with yield losses significantly higher than others in the same area.

SCIC maintains the data on its insurance system. The insurance system contains producer information such as name, address, land descriptions, crops insured, seeded acres, and claim payments.

SCIC has good general computer controls. Those controls help maintain complete and accurate insurance data. Employees conduct *ad hoc* reviews to ensure user access remains appropriate. SCIC could improve its processes by formalizing procedures to monitor access of users to its insurance system.

Adherence to agreed-upon rate setting practices

We expected that SCIC would:

♦   *use best practices for setting rates (e.g. new crops, yield potentials)*
♦   *set rates that are consistent with the Agreement and the Act*
♦   *obtain regular actuarial certifications (e.g.. premium rate setting methodologies. yield methodologies. program self-sustaining)*

SCIC identifies program changes by seeking input from producers and producer associations and by monitoring programs offered by other provinces. For example. SCIC customer offices accumulate comments from producers in weekly regional manager reports. SCIC employees participate in national working groups such as the Production Insurance Working Group to discuss and analyze possible program changes. As the Agreement requires. SCIC seeks Agriculture and Agri-Food Canada's (AAFC). a Canadian government agency. input on all program changes. AAFC analyzes and approves all program changes and advises whether SCIC needs independent actuarial advice on the methodology for setting rates.

The Agreement and the Act set out the specifics of the crop insurance program. This includes crops that can be insured, the levels of coverage available, and required actuarial certifications. The Agreement requires an actuarial certification once every five years or upon significant changes to the program. The actuarial certification relates to the accuracy of the

methods (formulas) SCIC uses to determine premium rates, producer yields, and the long-term sustainability of the program.

SCIC has established formal processes to follow the guidelines for setting premium rates set out in the Agreement and obtaining the required actuarial certifications. SCIC compiles and gives the data to its actuary (compiled data) for assessing the soundness of the formulas to determine premium rates for each insurable crop. However, SCIC does not ensure the compiled data is accurate and complete. Nor does it ensure that the data the actuary used is what SCIC provided. This increases the risk that the actuarial assessment may not be correct.

Furthermore, SCIC calculates the insurance premiums using data, such as crop yields, indemnities, acreage insured, and its total loss exposure. SCIC gathers this information from its insurance computer system and electronically enters it into electronic spreadsheets. Management told us its actuary developed the spreadsheets containing the formulas several years ago and that there are manual adjustments to the formulas. These spreadsheets calculate premium rates by insurable crop using the data and the formulas.

One employee gathers (extracts) data from the insurance system and calculates all premium rates using the spreadsheets. SCIC's process does not require an independent review of the accuracy of the data extracted and the formulas used. Instead, management reviews a report that shows premium rates by crop type for the current and prior year and the percentage change in rates. This review is not adequate as it may not detect the entry of inaccurate data or inappropriate formulas. An independent detailed review would help ensure that SCIC is using appropriate formulas and data to calculate premium rates.

SCIC has documented some of its procedures for setting premium rates. However, it needs to complete the documentation of those procedures and formally approve them. For example, SCIC does not have documented procedures to verify that the formulas used are consistent with the requirements of the Agreement and the Act.

4.   **We recommend that Saskatchewan Crop Insurance Corporation document and approve all of its procedures for calculating premium rates.**

5. We recommend that Saskatchewan Crop Insurance Corporation establish and document procedures to check the accuracy of data and formulas used to calculate premium rates.

Rate monitoring

We expected that SCIC would:

- *report regularly to senior management and the Board about establishing, monitoring, and evaluating rates*
- *submit required reports to the Government of Canada*
- *advise producers promptly of changes to rate setting methods and rates*
- *evaluate processes for setting rates to ensure they comply with the Agreement (e.g.. internal audit examination of rate setting processes)*

SCIC incorporates its planned projects to change the crop insurance program into its annual corporate business plan. Senior management and the Board approve the plan and receive quarterly updates on progress against the plan. Management obtains the required approval of the Board and Canada for changes to the insurance program before they implement them.

Senior management reviews proposed premiums rates by crop type each year including a comparison to the past approved rates. The Board reviews and approves proposed premium rates. The Board also receives regular operational and financial reports showing the insurance premiums invoiced, collected, and the indemnities incurred.

To keep Canada informed about the results of the program and possible changes to it, an AAFC official attends SCIC's board of director's meetings. As well, SCIC submits regular reports to AAFC disclosing information relating to liability by crop type, acreage insured, premiums collected to date from producers, and indemnities incurred to date.

Producers who insured with SCIC in the prior year receive an information package that outlines changes to the insurance program and premium rates for the upcoming crop year. On its website and through radio and

producer magazines, SCIC communicates changes to the insurance program and premium rates. SCIC also gives training to its customer service representatives about the program and premium rate changes and provides producers with written material (i.e., reference guides) to help them decide on their insurance needs. Consistent with insurance industry standards, SCIC makes this information available approximately one month before producers must sign up for current year coverage.

To help ensure it complies with the Agreement, SCIC's internal auditor examined SCIC's processes for calculating the 2006 premium rates. The internal auditor made recommendations to improve the written guidance to employees who calculate the premium rates (e.g., steps involved in calculating rates, checklist for steps completed). At March 31, 2007, the Board had not received a report from either management or the internal auditor on what SCIC has done to address the internal auditor's recommendations. Management should report to the Board what it has done to address the internal auditor's recommendations. The Board should also ask the internal auditor if management has fully addressed its recommendations for improvement.

6.   **We recommend the Saskatchewan Crop Insurance Corporation Board of Directors approve an internal auditor plan that includes follow up of the internal auditor's recommendations.**

Selected references – processes to set premium rates

See Appendix 1.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter.[4]

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[4] For the definitions of the key terms used in the table, see Chapter 25 – Standing Committee on Public Accounts pages 398 to 399.

PAC REPORT YEAR[5]	OUTSTANDING RECOMMENDATION	STATUS
Department of Agriculture and Food (Succession Planning)		
2007	PAC concurs: 11-5 that the Department of Agriculture and Food should analyze the impact of anticipated workforce competency gaps on its capacity to achieve its objectives.	**Not implemented** (as at March 31, 2006). A follow-up is planned for 2008.
Saskatchewan Crop Insurance Corporation		
2002	PAC concurs: 4-3 that the Saskatchewan Crop Insurance Corporation should improve the guidance it gives to the claim adjusters to enable them to identify suspicious claims; and further that the Saskatchewan Crop Insurance Corporation should also establish written rules and procedures for investigating suspicious claims.	**Partially implemented** (as at March 31, 2007). The Saskatchewan Crop Insurance Corporation continues to look at how it can improve its guidance.
2002	PAC concurs: 4-4 that the Saskatchewan Crop Insurance Corporation should ensure that adjusters leave clear evidence of work they have done to adjust or to verify claims.	**Partially implemented** (as at March 31, 2007). Saskatchewan Crop Insurance Corporation continues to improve the documentation of its adjusters' work.

Appendix 1 – Selected references – Saskatchewan Crop Insurance Corporation – processes to set premium rates

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[5] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

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Board of Internal Economy

4

Main points

The Board of Internal Economy (Board) needs to make improvements in three areas.

The Board should:

♦ define and receive reports that provide the information it requires to assess its own performance. It should use these reports to monitor its progress in achieving its goals and objectives.

♦ prepare an annual report on its operations. An annual report is a necessary accountability document for all public sector agencies.

♦ complete and test its business continuity plan to help it to continue to deliver its vital services in the event of a disaster.

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Introduction

The Board of Internal Economy (Board) assists Members of the Legislative Assembly (MLAs) to perform their responsibilities. It provides funding and support services to MLAs, the Legislative Assembly, and its committees. It also informs the public of the Legislature's activities. The Board provides administrative services for the Offices of the Ombudsman, the Children's Advocate, the Information and Privacy Commissioner, and the Conflict of Interest Commissioner.

In 2006-07, the Board received $19 million from the General Revenue Fund and spent this money on its programs. Information about the Board's expenditures appears in the *Public Accounts 2006-07: Volume 2: Details of Revenue and Expenditure* (www.gov.sk.ca/finance/paccts).

The following is a list of major programs and spending:

	Original Estimates	Actual
	(in millions of dollars)	
Payments and Allowances to MLAs	$ 11.3	$ 10.9
Legislative Assembly Services	4.0	3.8
Administration	3.0	3.1
Committees of the Assembly	0.1	0.1
Caucus Operations	1.7	1.7
Amortization	0.1	0.1
	$ 20.2	$ 19.7

Key risks the Board faces

The Board plays a key role in helping MLAs with their important responsibilities. How MLAs carry out their duties influences the quality and effectiveness of the Executive Government and the public's confidence in our parliamentary system of government. Responsibilities of MLAs include:

♦ making the laws that govern people and the Executive Government

- holding the Executive Government accountable for how it carries out its activities

- representing their constituencies in the Legislative Assembly

In assisting MLAs to carry out their important responsibilities, the Board faces many risks. Four key risks the Board needs to manage are:

- to ensure the Legislative Assembly and its committees can function effectively

- to ensure MLAs can access from the Board appropriate resources, information, and advice to enable them to effectively carry out their responsibilities in the Legislative Assembly

- to ensure MLAs can access appropriate resources from the Board to carry out their activities in their constituencies and are accountable for the use of those resources

- to ensure the public can assess whether the work of the Legislative Assembly and MLAs is relevant and done well

For additional discussion of these key risks and the Board's strategies to manage them, see our 1999 Fall Report – Volume 2 (www.auditor.sk.ca).

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2007:

- the Board had adequate rules and procedures to safeguard public resources except where we report otherwise in this chapter

- the Board complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing

The chapter provides an update on a recommendation previously made by the Standing Committee on Public Accounts (PAC) that is not yet implemented.

Better reports required

The Board needs to define the reports it requires to make decisions.

The reports the Board receives should show the Board's progress in achieving its plans. This information would also provide a sound basis for preparing an annual report.

The Board has not defined its reporting requirements. The Board does not receive reports that show the effectiveness of the Board's programs and services (i.e:, what results the Board expects and how it is progressing towards those expectations).

The Board receives quarterly financial reports that compare planned results to actual results with forecasts to the end of the year. These reports also include explanations of differences.

We also reported this matter in previous years.

1.   **We continue to recommend that the Board of Internal Economy:**

    ♦   **monitor its progress in achieving its goals and objectives**

    ♦   **define and document the operational reports it expects to receive from management**

Annual report needed

The Board does not prepare an annual report on its performance for the Legislative Assembly.

The Legislative Assembly and Executive Council Act does not require the Board to prepare an annual report. However, almost all government agencies provide the Legislative Assembly with an annual report. In

addition, the Standing Committee on Public Accounts recommended that all departments provide timely annual reports on their activities.

To assess performance of a public sector agency, MLAs and the public need to know how the agency is managing its key risks. They also need to receive information about the agency's goals and objectives and how successful the agency has been in achieving those goals and objectives. Annual reports can provide this information.

To be good accountability documents, annual reports should describe what the agency is all about, how it manages its key risks, what it has done, where it is now, and what it plans to do. To ensure that the information in the report is relevant and understandable, the annual report should be written clearly and be available promptly after the agency's year-end.

As we noted earlier, the Board also needs to improve its internal reports. These reports would provide a sound basis for the preparation of an annual report.

The Board plays a key role in fostering public confidence in our parliamentary system of government. An annual report would contribute to public confidence.

We also reported this matter in previous years.

2. We continue to recommend that the Board of Internal Economy prepare an annual report on its performance and provide the report to the Legislative Assembly.

Business continuity plan needs improvement

The Board needs to complete its business continuity plan[1] to help ensure that it can continue to deliver its critical services in the event of a disaster.

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[1] **Business Continuity Plan** (BCP)-Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

Disaster Recovery Plan (DRP)-Plan by an organization to respond to unforeseen incidents, accidents and disasters that could affect the normal operation of a computerized system (also known as **Contingency Plan**) A DRP or contingency plan is only one component of the Business Continuity Plan.

During the year, the Board made progress in developing its business continuity plan. The Board has identified its vital services, including operating the Legislative Assembly, and is completing the development of plans for these services. The Board now needs to clearly prioritize which functions would be recovered and ensure all key staff are aware of the priorities. The Board also needs to test the plan and improve its documentation of its procedures for invoking the plan, for central coordination of the plan, and on-going maintenance.

We also reported this matter in previous years.

3.   We continue to recommend that the Board of Internal Economy complete and test its business continuity plan.

Status of outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on a recommendation previously made by the Standing Committee on Public Accounts (PAC) that is not yet implemented[2].

PAC REPORT YEAR[3]	OUTSTANDING RECOMMENDATION	STATUS
Board of Internal Economy		
2003	**CR1.** The Standing Committee on Public Accounts recommends to the Assembly that those chapters of the Provincial Auditor's Reports dealing with the Board of Internal Economy be referred to the Board for its review and consideration.	**Not implemented** (as at March 31, 2006). PAC has recommended to the Legislative Assembly that this matter be referred to the Board of Internal Economy. To date, the referral has not been made.

[2] For the definitions of the key terms used in the table. see Chapter 25 – Standing Committee on Public Accounts pages 398 to 399.
[3] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

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Community Resources

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Main points

The Department of Community Resources (CR) needs to strengthen its processes to ensure that it spends public money only for the purposes intended by the Legislative Assembly. CR must strengthen its processes:

♦ to ensure that only eligible clients receive assistance and that they receive the correct amount of assistance
♦ to ensure that it protects children and that payments to caregivers are authorized
♦ to improve its assessment of community-based organizations' progress in achieving CR's objectives
♦ to ensure it pays its employees the correct amounts

CR needs to test its business continuity plan to help ensure that it can continue to deliver its critical services in the event of a disaster. Also, it must strengthen its information technology security processes to ensure the confidentiality, integrity, and availability of information systems and data.

We also report that an employee misused approximately $26,000 of public money.

We followed up the 20 recommendations in our 2006 report to the Standing Committee on Public Accounts on the special investigation of Oyate ataya Wakanyeja Owicakiyapi Inc. (Oyate) residential care home. Oyate suspended operations on April 13, 2006. Oyate and CR have made some progress in implementing our recommendations. However, we are unable to conclude on the adequacy of those processes until Oyate reopens and operates as a residential care facility for a sufficient period of time. Early in 2008, we plan to assess how well Oyate and CR have applied their new processes. We will report our findings in a future report.

Introduction

The mandate of the Department of Community Resources (CR) is to work with citizens as they build better lives for themselves through economic independence, strong families, and active involvement in the labour market and community. The Department invests in positive outcomes for people in the areas of income support, child and family services, supports for persons with disabilities, and affordable housing.[1]

The following table shows the Government's total spending for social programs and services:

	2007	2006
	(in millions of dollars)	
Department of Community Resources	$ 711	$ 631
Department of Corrections and Public Safety	66	40
Department of Learning	24	21
Saskatchewan Housing Corporation	22	133
Department of Justice	17	16
Department of Government Relations	3	3
Total	$ 843	$ 844

CR received $711 million from the General Revenue Fund to deliver its programs and had revenues of $18 million. Information about CR's revenues and expenses appears in its annual report (see http://www.cr.gov.sk.ca).

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[1] Saskatchewan Finance, *Saskatchewan Provincial Budget Estimates for the fiscal year ending March 31, 2007.*

The following is a list of CR's major programs and spending:

	Original Estimates[2]		Actual
	(in millions of dollars)		
Income Support	$	297	$ 28
Saskatchewan Housing Corporation		22	13
Community Inclusion		91	8
Family and Youth Services		75	8
Regional Service Centres		65	7
Accommodation and Central Services		28	2
Child Care		16	1
Other		8	1
Total	$	602	$ 7

Special purpose fund and Crown agency

CR is responsible for the following special purpose funds and Crown agency:

	Year-End
Social Services Central Trust Account	March 31
Valley View Trust Accounts and Fund	March 31
Saskatchewan Housing Corporation	December 31

We reported the results of our audit of the Saskatchewan Housing Corporation in our 2007 Report – Volume 1, Appendix 2.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2007:

- CR and its trust accounts and fund had adequate rules and procedures to safeguard public resources except as described in this chapter

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[2] Saskatchewan Finance, *Saskatchewan Provincial Budget Estimates for the fiscal year ending March 3 2007*. The Estimates' total does not include the additional $49.95 million authorized through the *2006-07 Saskatchewan Provincial Budget – Supplementary Estimates – November* and $61.00 million authorized through the *2006-07 Saskatchewan Provincial Budget – Supplementary Estimates – March* for Community Resources (Vote 36).

- CR and its trust accounts and fund complied with the authorities governing their financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except as described in this chapter

- the financial statements of the trust accounts and fund are reliable

We also report one matter relating to the improper use of public money.

The chapter provides an update on recommendations previously made by the Standing Committee on Public Accounts that are not yet implemented.

Need to follow processes to protect children

CR needs to ensure that children in its care are protected and that payments to the children's custodians are authorized.

CR is responsible to promote the well-being of children, youth, and families throughout the Province. CR has services designed to protect children from abuse and neglect, support families and communities in caring for children, assist people facing family violence, and adopt children.

CR provides care for, on average, 3,243 children (wards[3]) and provides support for 945 children (non-wards[4]) in arrangements with persons of sufficient interest.[5] A further 1,160 First Nations children are in the care of First Nations agencies on reserves.

Of the 3,243 children in the custody and care of the Minister, approximately 1,890 reside with foster care providers and approximately 470 reside with alternate care providers. Foster care providers usually do

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[3] A ward is a child that the Minister has assumed the legal responsibility for, to act as parent with the rights and obligations of a parent.
[4] A non-ward is a child that the Minister helps to support, but does not have legal custody of.
[5] During a child protection hearing, the courts may place the child in the custody of a person of sufficient interest rather than in the care of the Minister. A person of sufficient interest may be extended family, the chief of a Band or designate when the child is a status Indian, or any other person who is not a parent of the child but who, in the opinion of the court, has a close connection with the child.

not have any prior relationship with the child. Alternate care providers are extended family members or other persons who have a close connection to the child. The remaining children are cared for in staffed programs such as group homes and other facility care.

CR has policies, standards, and procedures (processes) to ensure children requiring care are placed with appropriate caregivers. If CR does not follow its processes, it cannot ensure that the children in care are safe and that payments to care providers are authorized. For the First Nation children living on reserves, CR makes agreements with First Nations agencies to provide child welfare services on behalf of CR. The agreements require the agencies to follow processes equivalent to CR's processes for children in care.

CR did not always follow its processes or ensure First Nations agencies followed equivalent processes. As a result, CR did not know whether all of the children in care were protected or that payments to custodians were authorized. Exhibit 1 shows the results of our audit tests on the rate of non-compliance for the past five years.

Exhibit 1: Percentage of client files we sampled not complying with child protection policies

	2007	2006	2005	2004	2003
No criminal record check*	27%	13%	20%	31%	40%
Inadequate contact with children	35%	21%	35%	54%	NA**
No agreement with foster care provider	0%	13%	13%	33%	20%
Inadequate home study	0%	0%	13%	31%	23%

* Non compliance generally relates to non-care providers in the home
** Audited information not available.

The Exhibit shows that CR has, in recent years, significantly improved making agreements with foster care providers and home studies. CR must put more effort into ensuring adequate criminal record checks and contact with children.

We reported this matter in 2003 and subsequent years. In September 2004, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

We continue to recommend that CR follow its rules and procedures to ensure that children in care are protected and the payments to custodians are authorized.

Processes to make payments need strengthening

Social assistance programs

Social assistance payments

CR needs to strengthen its processes to ensure that only eligible persons receive social assistance and that they receive the correct amount of assistance.

In 2006-07, CR made payments for social assistance totalling $199 million. It must make many of these payments quickly. A client's need for food, clothing, and shelter often requires payment that day, or within a few days. In such cases, CR must later verify the client's eligibility for assistance and the amount that was required.

Also, a client's eligibility for assistance (e.g., living arrangements, levels of income) often changes, which may affect the amount of required assistance. If the client does not promptly inform CR of such a change, it may make incorrect payments until it re-assesses the client's needs. CR's processes require this re-assessment on every client at least once each year.

Exhibit 2 shows the results of our audit tests on the rate of non-compliance with CR's established processes for the past five years.

Exhibit 2: Percentage of client files we sampled containing inadequate support for payments

Eligibility not adequately documented or incorrectly recorded	2007	2006	2005	2004	2003
Needs and expenses	24%	30%	26%	29%	25%
Client identification	2%	0%	10%	18%	33%
Living arrangements	4%	13%	10%	16%	23%
Child support[6]	0%	8%	29%	33%	27%

The Exhibit shows that CR has, in recent years, significantly improved compliance with its processes for client identification, living arrangements, and child support. However, CR needs to make more progress in verifying clients' needs and expenses. As described later, CR has made considerable efforts to improve compliance with its processes.

We reported this matter in 2000 and subsequent years. In June 2001, PAC agreed with our recommendations.

We continue to recommend that CR follow its established processes that ensure only eligible clients receive assistance and that they receive the correct amount of assistance.

Transitional employment allowance payments

CR needs to follow its processes to ensure that only eligible persons receive Transitional Employment Allowance (TEA) assistance and that they receive the correct amount of assistance.

In 2005, the Government passed the *Transitional Employment Regulations, 2005*. The program is designed to help move employable people from the social assistance system into the workforce. It does this by providing assistance to them while they participate in, or are eligible to participate in, pre-employment programs and services.

In 2006-07, CR made payments for transitional employment assistance totalling $45 million.

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[6] Clients must pursue other means of support before being eligible for assistance. A custodial parent receiving assistance is required to pursue child support from the other parent if obtaining such support is possible.

CR has processes for paying TEA clients. Clients give CR information such as family composition and changes in employment. This information affects the amount of money clients are eligible to receive.

The processes help CR to determine eligibility for payments by ensuring clients submit proper documentation. The processes help ensure that CR pays proper rates according to the TEA regulations and policy manual. CR uses documentation on board and room information, utilities costs, assets, and income to verify claims.

We found that 21% (2006 – 33%) of client files we examined did not have the proper documentation to ensure the clients were eligible and 21% (2006 - 16%) of TEA payments we examined had not been made at the proper rates.

We reported this matter in our 2006 Report – Volume 3.

1.   We continue to recommend that the Department of Community Resources follow its processes to ensure that only eligible clients receive Transition Employment assistance and that they receive the correct amount of Transition Employment assistance.

CR told us it plans to improve its processes to ensure payments are made at the proper rates.

Employment and rental housing supplement payments

CR needs to strengthen its processes to ensure that only eligible persons receive employment and rental housing supplement assistance and that they receive the correct amount of assistance.

Saskatchewan Employment Supplement (SES) gives money to low-income working parents. This money helps to ensure that low-income parents (clients) are better off working than on social assistance. In 2006-07, CR paid $18 million ($19 million – 2005-06) to SES clients.

Saskatchewan Rental Housing Supplement (SRHS) gives money to low-income tenant families and people with disabilities to help them get

accessible, affordable, and quality housing. CR paid $4.8 million in 2006-07 ($2.5 million – 2005-06) to SRHS clients.

CR has processes for paying SES and SRHS clients. It uses the same system to pay assistance for these two programs. Clients tell CR, usually by telephone, their employment income, family composition and rental information when they apply for SES and SRHS money and monthly after that if there are any changes to their eligibility. These factors affect the amount of money a client is eligible to receive. CR did not require clients to provide verification of income prior to receiving benefits until March 2007.

CR regularly monitors SES and SRHS payments by testing a sample of clients. Selected clients' accounts are put on hold (i.e., no further payments are made) until they submit documents to support their claim. If a client does not submit the required documents, CR closes the account.

CR tests about one-quarter of clients receiving SES and SRHS payments to ensure their eligibility for payments. CR found that 16% of the 2,150 clients tested did not respond or provide written evidence to support their reported income. As a result, CR stopped further payments to those clients. Of those that responded, CR determined that it had overpaid a further 16% of cases.

CR has set a target dollar error rate of 4% of total SES and SRHS payments. As the target error rate has been exceeded, CR needs to strengthen its processes to reduce the overpayments to below 4%.

We reported the SES matter in 2005 and 2006. In October 2006, PAC agreed with our recommendation.

We continue to recommend that the Department of Community Resources establish adequate processes to ensure that only eligible persons receive Saskatchewan Employment Supplement assistance and that they receive the correct amount of Saskatchewan Employment Supplement assistance.

2.   We recommend that the Department of Community Resources establish adequate processes to ensure that only eligible persons receive Saskatchewan Rental Housing

Supplement assistance and that they receive the correct
amount of Saskatchewan Rental Housing Supplement
assistance.

In March 2007, CR strengthened its verification procedures by requiring
all new SES applicants to submit documentation supporting their income
prior to paying benefits. CR told us it will monitor the impact of this
change in its processes in 2007-08.

Corrective actions taken

In this section, we describe steps taken by CR to improve compliance
with its processes to ensure that only eligible persons receive the correct
amounts of assistance from the social assistance programs.

In August 2007, CR strengthened its 2004 long-term Quality Improvement
Plan (Plan) and, as described elsewhere in this report, expanded it to
include children in care programs and community based organizations.
The purpose of the Plan is to 1) improve the quality of social assistance
delivery and children in care programs, and 2) to improve compliance with
CR's processes for payments including strengthening the processes if
necessary. The Plan, combined with long-term commitment from senior
management, provides a reasonable basis for CR to achieve and
maintain compliance with its processes.

In 2005, CR modified some systems such as client intake and tracking of
child support. These changes may have contributed to the improvement
seen in our audit findings reported earlier. CR has further plans for
system modifications to address other compliance indicators.

Better control over employees' pay needed

CR needs to better control employees' pay.

During the year, CR reviewed its payroll costs during its review of monthly
financial reports. However, CR did not adequately review the accuracy of
key payroll data for each pay period prior to paying employees. As a
result, employees' pay has not been approved in accordance with *The
Financial Administration Act, 1993.*

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This weakness increases the risk that employees may be paid incorrect amounts.

3.   **We recommend that the Department of Community Resources adequately review the payroll for accuracy prior to paying its employees to ensure that all employees' pay is approved in accordance with** *The Financial Administration Act, 1993.*

Supervision of community-based organizations needs strengthening

CR needs to strengthen its supervision of community-based organizations (CBOs).

CR paid $88 million to over 250 CBOs that provide services on its behalf. Programs provided by CBOs include income assistance, group homes, services to enable people to live in their own homes (who otherwise could not), and youth-at-risk intervention programs.

We organize our findings on CBOs into three groupings:

- agreements with CBOs
- financial performance reports
- operational performance reports

Agreements with community-based organizations

CR's agreements with CBOs need to set out expected outcomes.

CR makes annual agreements with all CBOs setting out CR'S objectives for complying with the law and managing finances. The agreements also set out the basis of CR's funding and CR's right to verify the CBOs' reports. The agreements need to set out more clearly the CBOs' operating objectives (i.e., what CBOs intend to achieve with the money they receive from CR). CR is working with the CBOs to more clearly define the expected outcomes.

We reported this matter in 2002 and subsequent years. In September 2004, PAC agreed with our recommendation.

We continue to recommend that CR strengthen its agreements with CBOs by clearly setting out the CBOs' operating objectives.

The agreements with Community Inclusion CBOs[7] require them to have established and functioning internal controls to ensure they achieve CR's objectives. The agreements allow CR to assess whether the CBOs' controls are adequate. The agreements with Child and Family CBOs[8] do not yet have these requirements.

As a result of inadequate agreements, CR does not know if the Child and Family CBOs are achieving its objectives.

We reported this matter in 2002 and subsequent years. In September 2004, PAC agreed with our recommendation.

We continue to recommend that CR require Child and Family CBOs to report periodically their assessment of the adequacy of internal controls to achieve its objectives.

CR told us it has started a pilot project in 2007 with 25 CBOs to identify and implement appropriate measurable outcomes for each service. It has also developed new service agreements which are being used in 2007-08 for Child and Family CBOs.

Financial reports

CR needs to ensure that it receives and reviews financial performance reports from CBOs on a timely basis.

Service agreements require the CBOs receiving more than $100,000 to provide CR with quarterly and annual financial reports including a comparison of actual to budget and an explanation of differences. The service agreements also specify the dates CR is to receive the reports.

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[7] Community Inclusion CBOs provide services to people with intellectual disabilities such as residential care, family support, vocational and day activity programs, and general services.
[8] Child and Family CBOS provide a variety of services in communities such as supervised residential placement for children, youth and sexually-exploited youth, short-term crisis shelters, and crisis nurseries. Non-residential services include family support including parent aide and counselling, family violence outreach, sexual assault services, mobile crisis intervention, and services to teen parents.

Many CBOs did not provide the required financial information on time. We examined CBOs that had received at least $250,000 from CR. We examined the CBOs' annual financial reports for the year ended March 31, 2006 and the CBOs' quarterly reports up to December 31, 2006. We found that the 50% of the CBOs submitted their annual reports late and 43% submitted the quarterly reports late or not at all.

CR did not do timely reviews of the above noted CBOs' financial reports. CR did not review any CBOs' annual reports within six months of the CBOs' year-end. Late reviews of financial reports could result in CR not taking timely corrective action.

Because CR did not adequately follow its processes, it did not know on a timely basis if the money was used for the intended purposes.

We reported this matter in 1998 and subsequent years. In January 1999, PAC agreed with our recommendation.

We continue to recommend that CR ensure all CBOs submit timely financial performance reports to it as required by agreements.

Operational reports

CR needs to ensure that it receives and reviews operational performance reports from CBOs on a timely basis.

CR requires CBOs to submit annual operational performance reports describing their services and activities. Many CBOs did not provide the required operational information on time. We examined CBOs that had received at least $250,000 from CR. We examined the CBOs' annual reports for the year ended March 31, 2006. We found that 50% of the annual operational performance reports were submitted late.

We reported this matter in 1998 and subsequent years. In January 1999, PAC agreed with our recommendation.

We continue to recommend that CR ensure all CBOs submit timely operational performance reports to it as required by agreements.

Because CR did not ensure it received operational performance reports on a timely basis, it could not review the CBOs' progress in meeting CR's objectives on a timely basis. Also, CR does not require the CBOs to set performance measures and targets to enable them to report their progress in meeting its objectives.

Therefore, CR did not know if the CBOs are achieving CR's operational objectives.

4. We recommend the Department of Community Resources perform timely reviews on all the performance information submitted by the community-based organizations.

5. We recommend the Department of Community Resources work with community-based organizations (CBOs) to establish performance measures and targets that better allow it to assess the CBOs' progress in achieving the Department's operational objectives.

CR is working to strengthen its supervision of CBOs. CR told us it has expanded its Quality Improvement Plan to address compliance with its service agreements, and has:

- revised its service agreement to strengthen CBO accountability and has implemented the new agreements for 2007-08
- developed and implemented a procedure manual for monitoring CBO standards
- defined the roles and responsibilities of personnel who monitor CBOs
- provided staff education and training for analyzing financial information
- conducted an initial risk assessment of all CBOs receiving $100,000 or more, and has used this information to develop a standard risk assessment tool for use with all CBOs
- defined requirements for a comprehensive database of CBO services available to be used as a tool for managing information on its CBOs, and CR has begun working with the Information Technology Office to develop the new information system
- provided funding to groups of its CBOs to work together to develop human resources plans

Business continuity plan required

CR needs a business continuity plan[9] (BCP) to help ensure that it can continue to deliver its critical programs and services in the event of a disaster.

We reported this matter in 2003 and subsequent years. In September 2004, PAC agreed with our recommendation.

CR has developed a BCP for its critical programs and services. It has completed all the phases of a BCP except it needs to test the BCP.

We continue to recommend that the Department of Community Resources complete its business continuity plan.

IT security needs strengthening

CR needs to strengthen its security processes to ensure the confidentiality, integrity, and availability of information systems and data.

CR needs to have a security awareness plan to reduce the risk that staff could unintentionally create security risks resulting in loss or disclosure of data. Awareness training would help ensure staff understand security policies and security risks. Management also needs to approve and implement a comprehensive set of policies and procedures.

We reported this matter in 2004 and subsequent years. In June 2005, PAC agreed with our recommendation.

We continue to recommend that the Department of Community Resources establish adequate security processes for its information systems.

CR made an agreement with the Information Technology Office (ITO) in March 2007. The agreement makes ITO responsible for information

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[9] **Business Continuity Plan** - Plans by an organization to respond to unforeseen incidents, accidents, or disasters that could affect the normal operations of the organization's critical operations or functions. **Disaster Recovery Plan** (DRP)—Plan by an organization to respond to unforeseen incidents, accidents and disasters that could affect the normal operation of a computerized system (also known as a **Contingency Plan**). A DRP or contingency plan is only one component of the Business Continuity Plan.

technology service delivery effective April 1, 2007. Information technology staff who previously worked for CR now work for ITO.

The agreement with ITO sets out roles and responsibilities, the services provided, and service delivery targets (such as the percentage of time the networks will be available). However, the agreement does not adequately identify security requirements of CR or the ITO. The agreement also does not identify disaster recovery requirements for the CR network.

6.   We recommend that the Department of Community Resources have an adequate agreement with the Information Technology Office that includes network security and disaster recovery requirements.

CR told us that it has started projects to review its security and disaster recovery requirements.

Improper use of public money

CR told us it suspects that an employee had misused approximately $26,000 of public money during the year.

Some of CR's clients repay overpayments of social assistance to CR directly. Inadequate segregation of duties allowed an employee to access this money, alter journal entries, bank deposits and bank reconciliations, and conceal misuse of public money. Inadequate supervision of the employee resulted in this suspected theft not being detected until late in the year. CR has dismissed the employee and referred this matter to the police. It has also disciplined the employee's supervisors.

CR has strengthened internal controls around cash handling in the central office and the regions to prevent further misuse of public money.

Follow-up of recommendations

This section describes the actions taken by CR on recommendations made in previous audits.

Oyate follow-up

On June 26, 2006, we reported to the Standing Committee on Public Accounts the results of our special investigation of Oyate ataya Wakanyeja Owicakiyapi Inc. (Oyate) residential care home. Oyate stopped operating as a residential care home on April 13, 2006 and has not yet reopened.

In our report, we made 20 recommendations to help improve processes to safeguard and control public money related to the operations of residential care facilities.

Fifteen of those recommendations related to processes at Oyate. We recommended that Oyate improve its governance, service delivery, human resource management, control of public money, and compliance with the service agreement with CR.

We made five recommendations for CR. Generally, those recommendations require CR to monitor and oversee community-based organizations (CBOs) that deliver child and family services for the Department. Robust monitoring and oversight processes will help allow CR to take prompt action to remedy any significant problems at CBOs.

In September 2007, we assessed the progress both Oyate and CR have made to address our recommendations.

Oyate has made some progress towards addressing our recommendations. It has established certain processes to help improve safeguarding of public money under its control. However, we are unable to conclude on the adequacy of those processes until Oyate operates as a residential care facility for a sufficient period of time (approximately a year). As at November 1, 2007, Oyate is still not operating as a residential care facility. We plan to report our full assessment of Oyate's progress in a future report.

CR has also made some progress towards addressing our recommendations. CR has developed and approved the Children's Services Residential Policy Manual that provides guidance to agencies, including Oyate, on the required standards of care for children in residential facilities. It has approved the Procedure Manual for Monitoring

CBO Accountability Standards that CR employees will use to monitor the effectiveness of CBOs' service delivery. Also, it has formed a CBO Risk Assessment Committee that will determine how to assess the risk that CBOs may not be delivering services as specified in the service agreements with CR. However, we are unable to conclude on the adequacy of those processes until CR uses them for a sufficient period of time. Early in 2008, we plan to assess how well CR applies these processes and report our findings in a future report.

Saskatchewan Housing Corporation—Capital asset plan follow-up

The Saskatchewan Housing Corporation (Housing) works with the Department of.Community Resources to provide affordable and adequate housing.

Our 2004 Report – Volume 1 includes the results of our audit of the adequacy of Housing's capital asset plan. At March 31, 2004, Housing's capital asset plan was adequate except that it did not include how Housing expects to determine and measure how well it sustains the housing portfolio over the long term. We made one recommendation. In September 2004, PAC agreed with this recommendation.

We recommended that Housing's capital asset plan show:

♦ the specific measures the Corporation would use to determine the appropriate size, mix, and condition of the housing portfolio (i.e., performance measures)
♦ the starting point of each measure (i.e., baseline)
♦ what the Corporation expects to achieve with the housing portfolio and by when (i.e., targets)

Our follow-up

Housing has set measures, baselines, and targets based on the Government's priorities in the Home First Housing Policy Framework (Framework). These primarily relate to the portfolio's size and mix but not condition. Housing has strategies to manage the size, mix, and condition of its portfolio including inspections and operational reviews.

Based on our review of the Framework and status reports that Housing uses to monitor its progress, we found it has not fully documented measures or targets related to the portfolio's condition at October 2007.

At October 2007, Housing has partially implemented the above recommendation; therefore, we continue to make the recommendation.

Management told us Housing is developing measures, baselines and targets to monitor the condition of its portfolio.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.[10]

PAC REPORT YEAR[11]	OUTSTANDING RECOMMENDATION	STATUS
Department of Community Resources (Case planning)		
1997	PAC concurs: O.4 When a system that captures the necessary information and consistently records case plans is in place, the Department of Community Resources should evaluate the effects of case planning.	**Partially implemented** (as at March 31, 2007). The Department does not yet evaluate the effect of case planning. No progress made in the past year.

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[10] For the definitions of the key terms used in the table, see Chapter 25 – Standing Committee on Public Accounts pages 398 to 399.
[11] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[11]	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 6-5 that the Department of Community Resources should assess the risk of loss of public money by employees in positions of trust (i.e., responsible for collection, receipt, disbursement or expenditure of public money) and reduce the risk to an acceptable level (e.g., increasing insurance coverage or requiring criminal record checks).	**Partially implemented** (as at March 31, 2007). In 2005, the Public Service Commission (PSC) began the process of identifying positions of trust and ensuring incumbents in those positions provide a criminal record check. PSC estimates this process will take 5 years to complete for all of Executive Government. We plan to report our assessment of PSC's progress in a future report.
Department of Community Resources (Welfare to Work)		
2005	PAC concurs: 4-2 that the Department of Community Resources should select additional performance measures that directly assess its progress in moving people from welfare to work.	**Partially implemented** (as at March 31, 2006). The 2006 government reorganization created the Department of Advanced Education and Employment. Within Community Resources, work has continued on the development of a draft strategic plan that better reflects the mandate of income assistance programs.
2005	PAC concurs: 4-3 that the Department of Community Resources should establish baseline results and targets for each measure.	**Partially implemented** (as at March 31, 2006). The departments of Community Resources and Advanced Education and Employment continue to refine the service catalogue, services standards, and performance measures.
2005	PAC concurs: 4-4 that the Department of Community Resources should communicate to employees its measures, baseline results, and targets.	**Partially implemented** (as at March 31, 2006). The strategic plan and service catalogue are being developed with active participation from staff and management.

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PAC REPORT YEAR[11]	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 4-5 that the Department of Community Resources should collect relevant and reliable information related to its performance measures.	**Partially implemented** (as at March 31, 2006). The Department continues to collect data related to service indicators while work on 4-2 and 4-3 progress. In addition, client surveys have been undertaken to gather outcome information. Service agreements with CBOs (since transferred to the Department of Advanced Education and Employment) require detailed client outcomes.
2005	PAC concurs: 4-6 that the Department of Community Resources should establish policies and procedures for evaluating data to assess its progress in moving people from welfare to work.	**Partially implemented** (as at March 31, 2006). The Department has introduced analysis into management reports but has not yet set policies and procedures for data evaluation and analysis.
2005	PAC concurs: 4-7 that the Department of Community Resources should prepare reports that show its progress in helping welfare recipients, and others seeking financial assistance, to find and keep work.	**Not implemented** (as at March 31, 2006). Creation of reports is dependent upon the choice of performance measures.

Culture, Youth and Recreation

6

Main points

The Department of Culture, Youth and Recreation needs to review and approve payroll prior to paying its employees.

The Saskatchewan Arts Board needs to have formal agreements before investing money.

Introduction

The mandate of the Department of Culture, Youth and Recreation (Department) is to support and celebrate Saskatchewan as a great place to live and work. The Department works collaboratively with diverse groups and communities to enhance the Province's cultural, artistic, recreational and social life. It also recognizes accomplishment and promotes excellence in the arts, culture, heritage and sport. Information about the Department is available on its website (www.cyr.gov.sk.ca).

Financial overview

For the year ended March 31, 2007, the Department spent $67 million (which includes $10.4 million for the film employment tax credit program) and had revenues of $6.5 million.

The following is a list of major programs and spending reported by the Department.

	Original Estimates[1]	Actual
	(in millions of dollars)	
Culture	$ 17.3	19.0
Building communities program	---	12.1
Heritage	10.1	10.9
Central and management services	7.3	8.3
Community Initiatives Fund	5.7	6.5
Saskatchewan Communications Network	5.9	6.4
Policy and youth	3.3	3.0
Recreation	0.7	0.8
	$ 50.3	$ 67.0

The Department's *2006-07 Annual Report* sets out the reasons for the major differences between actual financial results and the estimates (www.cyr.gov.sk.ca).

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[1] Saskatchewan Finance, *Saskatchewan 2006-07 Budget Estimates*. The Estimates' total does not include the additional $22.1 million authorized through the *2006-07 Saskatchewan Provincial Budget – Supplementary Estimates - November*

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Special purpose funds and Crown agencies

At March 31, 2007, the Department is responsible for the following special purpose funds and Crown agencies:

	Year-End
Community Initiatives Fund	March 31
Doukhobors of Canada C.C.U.B Trust Fund Board	May 31
Saskatchewan Archives Board	March 31
Saskatchewan Arts Board	March 31
Saskatchewan Communications Network Corporation	March 31
Saskatchewan Heritage Foundation	March 31
Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation	March 31
Saskatchewan Western Development Museum	March 31

Audit conclusions and findings

Our Office worked with the following appointed auditor:

♦ KPMG LLP
   – Saskatchewan Communications Network Corporation

♦ Virtus Group LLP
   – Community Initiatives Fund[2]
   – Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation[2]

To complete our work on the above-listed agencies, we used the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html). Our Office and the appointed auditors formed the following opinions below.

In our opinion, for the fiscal years ending on or before May 31, 2007:

♦ the Department and its agencies had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter

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- the Department and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter related to approving employees' pay reported in this chapter

- the financial statements of the Department's funds and agencies are reliable[2]

Better control over employees' pay needed

The Department needs to better control employees' pay.

During the year, the Department reviewed its payroll costs during its review of monthly financial reports. However, the Department did not adequately review the accuracy of key payroll data for each pay period prior to paying employees. As a result, employees' pay has not been approved in accordance with *The Financial Administration Act, 1993*.

This weakness increases the risk that employees may be paid incorrect amounts.

1. We recommend that the Department of Culture, Youth and Recreation adequately review the payroll for accuracy prior to paying its employees to ensure that all employees' pay is approved in accordance with *The Financial Administration Act, 1993*.

Saskatchewan Arts Board

The Saskatchewan Arts Board's (Board) mission is to cultivate an environment in which the arts thrive for the benefit of everyone in Saskatchewan.

For the year ended March 31, 2007, the Board had revenues of $6.6 million and expenses of $6.5 million. At March 31, 2007, the Board

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[2] We continue to disagree with how the agency accounts for grants. Our 2004 Report – Volume 3 contains further information on this matter.

had net financial assets of $741,012. The Board's 2006-07 Annual Report includes its financial statements (www.artsboard.sk.ca).

Agreements required before investing money

The Board needs to have formal agreements before investing money.

On July 1, 2006, the Board placed approximately $544,000 with an organization for investment purposes. However, the Board did not sign an agreement with that organization until March 21, 2007.

Although discussions took place with the organization prior to investing the initial money, the Board invested money without a signed agreement. Lack of a signed agreement increases the Board's risk of money being invested inappropriately.

2.   We recommend the Saskatchewan Arts Board have signed agreements prior to making investments.

Environment

7

Main points

The Department of Environment has made progress to address many of our past recommendations but it needs to do more to fully address some of these recommendations relating to:

- segregating duties of employees responsible for disbursement or expenditure of public money
- communicating clearly to its employees its operating policies and ensuring that its employees understand the reasons for the policies
- following established rules and procedures to reconcile its recorded bank balances to the bank's records promptly
- defining and documenting its compliance reporting needs
- preparing a complete business continuity plan

Our new recommendations expect the Department to adequately review the payroll for accuracy prior to paying employees, and include measurable targets and indicators in its human resource plan. Also, it should make a service level agreement with the Information Technology Office for information technology services.

Also, the Saskatchewan Watershed Authority has addressed our past recommendation to set long-term targets for measures related to dam safety to help it better monitor the effectiveness of its dam safety activities and has made progress on other past recommendations.

Introduction

The Department of Environment (Department) is responsible for managing, enhancing, and protecting the Province's natural and environmental resources and sustaining them for future generations. Information about the Department is available on its website (www.environment.gov.sk.ca/).

For the year ended March 31, 2007, the Government's summary financial statements show environment and natural resource expenses of $212 million (2006 – $174 million) comprised of the following:

| | (in millions of dollars) | |
	2007	2006
Department of Environment		
(2006-07 Public Accounts – Volume 1)	$ 194	$ 146
Deduct expenses shown as:		
Economic development related to forests	(12)	(12)
Community development related to		
urban parks	(4)	(4)
Other	(5)	(5)
Add expenses incurred by:		
Saskatchewan Water Corporation	17	28
Saskatchewan Watershed Authority	22	21
	$ 212	$ 174

The Department's program costs were $194 million (2006 – $146 million) and its net capital acquisitions were $21 million. Also, the Department had revenue of $52 million (2006 – $53 million) from licences and permit fees for fishing, gaming, and forestry. It also collects non-refundable deposits on beverage containers. In addition, the Department raises revenue and incurs expenses through its funds listed on the next page.

Information about the Department's revenues and expenses appear in the Department's 2006-07 annual report, (see www.environment.gov.sk.ca). The Department's major programs and spending include:

	Original Estimates	Actual
	(Millions of dollars)	
Central Management and Services	$ 17	$ 18
Environmental Protection and Water Management	25	25
Forest Services	14	14
Fire Management and Forest Protection	94	98
Resource Stewardship	8	8
Parks	16	19
Compliance and Field Services	15	16
Planning and Risk Analysis	8	12
Other	5	5
	$ 202	$ 215

The Department is responsible for managing the following special purpose and revolving funds (funds) and Crown agencies:

Year ended March 31
Commercial Revolving Fund
Fish and Wildlife Development Fund
Resource Protection and Development Revolving Fund
Operator Certification Board
Saskatchewan Watershed Authority
Water Appeal Board
Saskatchewan Centre of the Arts

Our audit conclusions and findings

We worked with Deloitte & Touche LLP, the appointed auditor for the Saskatchewan Watershed Authority, and Mintz & Wallace, the appointed auditor for the Operator Certification Board, to form our opinions. We used the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html). Our Office and the appointed auditors formed the following opinions.

In our opinion, for the year ended March 31, 2007:

- the Department and its agencies had adequate rules and procedures to safeguard public resources except for the matters described in this chapter

- the Department and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters described in this chapter

- the financial statements of the Department's funds and agencies are reliable

The Department has made progress to address many of our past recommendations related to verification of forestry fees, control over capital assets, collection of revenue, and hiring practices for employees. However, the Department needs to do more to fully address some of the recommendations we made in our prior reports. We also make two new recommendations relating to payroll accuracy and lack of a service agreement with the Information Technology Office.

This chapter also provides an update on the status of recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented.

Better control over employees' pay needed

The Department needs to better control employees' pay.

During the year, the Department reviewed its payroll costs during its review of monthly financial reports. However, the Department did not adequately review the accuracy of key payroll data for each pay period prior to paying employees. As a result, employees' pay has not been approved in accordance with *The Financial Administration Act, 1993*.

This weakness increases the risk that employees may be paid incorrect amounts. During the year, the Department overpaid employees by

approximately $40,000. At March 31, 2007, the Department had collected
the overpayments or was seeking collection of the overpayments.

1. We recommend that the Department of Environment
    adequately review the payroll for accuracy prior to paying its
    employees to ensure that all employees' pay is approved in
    accordance with *The Financial Administration Act, 1993*.

Service level agreement needed

The Department does not have a service level agreement with the
Information Technology Office (ITO). ITO billed the Department $4 million
for the services it provided to the Department for the year ended
March 31, 2007.

ITO provides information technology (IT) services that the Department's
own employees provided in the past. Therefore, the Department needs to
sign a service level agreement with ITO setting out the roles and
responsibilities of both ITO and the Department. For example, the
agreements would describe the services that ITO would provide (such as
help desk services and application development), the service availability
requirements (such as the percentage of time networks will be available),
the service delivery targets (such as timeframe for setting up new email
accounts), and the duration of the agreement. The agreement should also
identify security and disaster recovery requirements. Also, the agreement
should address administrative matters such as the level of detail provided
on invoices.

The Department needs sufficient information to assess the accuracy of
services billed. Without a signed service level agreement, there is a risk
that the Department may not receive the services it needs. Also, written
agreements are useful to resolve any disputes because the roles and
responsibilities of both parties are documented.

2. We recommend that the Department of Environment make an
    appropriate service level agreement with the Information
    Technology Office.

Segregation of duties

Since our 2005 Report – Volume 1, we have recommended that the Department properly segregate the duties of the employees responsible for disbursement or expenditure of public money. Segregation of duties is important to prevent the misuse of public money.

PAC considered this matter in June 2005 and agreed with our recommendation.

The Department has established policies setting out proper segregation of duties for processing payments. It has also provided training to its employees about its policies. However, we found instances where employees did not always follow the policies resulting in a lack of segregation of duties. During the year, the Department's internal auditor also reported to senior management that employees do not always comply with the segregation of duties policies for processing payments.

We continue to recommend that the Department properly segregate the duties of the employees responsible for disbursement or expenditure of public money.

Management told us it continues to provide training to employees on the importance of proper segregation of duties for processing payments. Management also told us that the Department plans to continue to monitor the benefits of undertaking additional initiatives to improve the segregation of duties versus the cost of these initiatives. In addition, management told us that the Department would continue to use its financial reports comparing budget and actual results with written explanations to oversee the Department's operations.

Effective direction to employees

Since our 2005 Report – Volume 1, we have recommended that the Department clearly communicate to its employees its operating policies and ensure that its employees understand the reasons for the policies. PAC considered this matter in June 2005 and agreed with our recommendation.

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The Department has various operating policies and procedures manual that provide guidance to its employees. The manuals include direction employees for initiating and processing payments and reconciling revenue billings and payment records to the accounting records. The Department also provides training to employees on the importance of following established policies and procedures. However, employees di not always follow those policies and procedures.

We found instances where employees made payments without approve invoices, did not properly reconcile revenue records to the general ledg and as reported later did not promptly reconcile its recorded bank balances to the bank's records.

We continue to recommend the Department of Environment clearly communicate to its employees its operating policies and ensure that its employees understand the reasons for the policies.

Control over bank accounts

Since our 2004 Report – Volume 3, we have recommended that the Department follow its rules and procedures to reconcile (agree) its recorded bank balances to the bank's records promptly.

In January 2005, PAC considered this matter and agreed with our recommendation.

Regular reconciliation and review of recorded bank balances to bank records provides a check that all charges to the bank accounts are pro and all money has been received and deposited in the right account.

The Department has established a policy to reconcile its recorded bank balances to the bank's records promptly. The policy also requires an independent review and approval of completed bank reconciliations. However, employees did not reconcile all bank accounts promptly. At March 31, 2007, employees had not reconciled the Department's key transfer account for March 31, 2003. The Department receives about o third of its entire revenues in this account for onward transfers to the General Revenue Fund.

Also, the Department could not provide us evidence of review and approval of monthly bank reconciliations for a significant bank account for the Department's Fish and Wildlife Development Fund.

We continue to recommend that the Department of Environment follow its rules and procedures to reconcile its recorded bank balances to the bank's records promptly.

Management informed us that the Department has taken steps in 2007-08 to improve the timeliness of completing the transfer bank account reconciliations. In August 2007, management told us the Department has reconciled the transfer account up to April 30, 2007. Management also informed us that the Department has now begun to review and approve the bank reconciliations for its Fish and Wildlife Development Fund bank account promptly.

Human resource plan needs improvement

In our 2006 Report – Volume 3, we reported that the Department did not have an adequate human resource plan.

PAC considered this matter in March 2007 and agreed with our recommendation.

An adequate human resource plan would help the Department to ensure it has the right employees, in the right jobs, at the right time. An adequate human resource plan would:

- set out priorities and human resource needs and link to strategic direction of the Department
- identify key human resource risks and any competency gaps in current resources
- set out strategies and implementation plans to bridge competency gaps

Agencies also need measurable indicators and targets for key strategies to determine their success.

The Department's human resource plan included its current and future human resource needs. It also outlines strategies to address these gaps.

However, the Department has not set out measurable indicators and targets for all of its key strategies.

3.   We recommend that the Department improve its human resource plan by providing measurable targets and indicato for its key strategies.

Improving compliance reporting

Since our 1998 Fall Report – Volume 2, we have recommended the Department define and document its compliance reporting needs. The compliance reports should show the Department's compliance with the law, agreements, policies and procedures.

PAC considered this matter in January 1999 and agreed with our recommendation.

The Department has developed a compliance plan. It has prioritized its risks and has defined compliance actions to reduce these risks. However the Department has not yet documented all of its compliance reporting needs. Management told us the Department has begun reviewing all of it legislation to assess the risk of non-compliance and the Department's reporting needs.

We continue to recommend the Department define and document its compliance reporting needs.

Management told us that in July 2007 the Department had documented all of its compliance reporting needs. Management also told us that the Department has established an annual process to monitor and report its compliance activities.

Complete business continuity plan

In our 2006 Report – Volume 3, we recommended that the Department prepare a complete business continuity plan.

PAC considered this matter in March 2007 and agreed with our recommendation.

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The Department needs a written, tested, and approved business continuity plan to help ensure that it can deliver its programs and services in the event of a disaster.

The Department delivers a number of environmental programs and services to the residents of Saskatchewan as part of its mandate. It must carry out its mandate, even if a disaster disrupts its ability to deliver its programs and services in the usual manner. Without an adequate business continuity plan, the Department is at risk of not being able to deliver its programs and services in a timely manner.

The Department does not have a complete and tested business continuity plan. However, it has ranked its critical services and begun developing procedures for the recovery and restoration of these critical services.

We continue to recommend the Department of Environment prepare a complete business continuity plan.

Saskatchewan Watershed Authority's processes to ensure dams are safe – a follow-up

Saskatchewan Watershed Authority (Authority) is responsible for the operation of the Gardiner, Qu'Appelle River, Rafferty, and Alameda dams. In 2005, we examined whether the Authority had adequate processes to ensure the above dams are safe. We reported the results of the audit in our 2005 Report – Volume 1, Chapter 3 and made recommendations for the Authority to help improve its processes.

We recommended the Authority:

- obtain an independent comprehensive dam safety review on each of its very high consequence dams (i.e., Rafferty, Alameda, Qu'Appelle River, and Gardiner) at least every five years

- have up-to-date tested emergency preparedness plans for each of its major dams (i.e., Rafferty, Alameda, Qu'Appelle River, and Gardiner)

- set processes that ensure its manuals always include complete procedures to operate, maintain, and monitor dam safety

- set long-term targets (e.g., five to ten years) for measures related to dam safety to help it better monitor the effectiveness of its dam safety activities

The Standing Committee on Public Accounts considered these matters in June 2005 and agreed with our recommendations.

In September 2007, we assessed the Authority's progress towards addressing our recommendations. We set out the results of our work below by recommendation.

Independent comprehensive dam safety review

A dam safety review is a comprehensive formal review carried out by an independent registered professional engineer at regular time intervals. The review is to determine whether the dam is safe, and if it is not safe, to determine required safety improvements.[1]

In 2005, the Authority planned to have independent comprehensive dam safety reviews performed on the Gardiner and Qu'Appelle River dams during the 2006-07 fiscal year. However, the Authority has not yet commissioned these independent reviews. In addition, it planned for the first time to start independent dam safety reviews for the Alameda dam in 2006-07 and Rafferty dam in 2007-08. An independent comprehensive dam safety review of the Alameda Dam was conducted in 2006-07. This review concluded that the Alameda Dam is well maintained and operated, and is in fair to satisfactory condition. The review also made several recommendations for improvements.

We continue to recommend that the Saskatchewan Watershed Authority obtain an independent comprehensive dam safety review on each of its very high consequence dams (i.e., Rafferty, Alameda, Qu'Appelle River, and Gardiner) at least every five years.

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[1] *Canadian Dam Association Draft Dam Safety Guidelines.* (Feb 2005). p. G-2.

Up-to-date tested emergency preparedness plans

An Emergency Preparedness Plan (EPP) "is a formal written plan that identifies the procedures and processes that the dam operators should follow in the event of an emergency at a dam."[2] The EPP is prepared to safeguard lives and to reduce property damage in the event of natural flooding or dam failure.

In 2005, the Authority planned to update the Gardiner dam EPP and start preparing an EPP for the Alameda dam in 2005-06. In addition, it had planned to do an EPP for the Qu'Appelle River dam in 2006-07 and the Rafferty dam in subsequent years.

The EPP for Gardiner Dam was redrafted and dam break analyses for the Rafferty, Alameda and Qu'Appelle River dams were completed during the past two years. The dam break analysis is a prerequisite to preparing EPPs. The Authority told us it plans to complete revisions of the Gardiner Dam EPP in 2007-08, then use the document as a template for preparing the remaining EPPs. Public consultation and testing of the EPPs is planned for 2008-09.

We continue to recommend that the Saskatchewan Watershed Authority have up-to-date tested emergency preparedness plans for each of its major dams (i.e., Rafferty, Alameda, Qu'Appelle River, and Gardiner).

Complete manuals

Complete and current operation, maintenance, and surveillance manuals provide direction to employees to ensure that they maintain the structural integrity and safety of the dams. Complete manuals also help transfer key knowledge when personnel change.

The Authority has made progress in updating its manuals. However, more work remains to be done to complete the manuals in order to meet the Canadian Dam Association's Guidelines.

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[2] *Canadian Dam Association Guidelines.* (Jan 1999). p. 4-1.

We continue to recommend that the Saskatchewan Watershed Authority set processes that ensure its manuals always include complete procedures to operate, maintain, and monitor dam safety.

Long-term targets

The Authority uses two performance measures to monitor the safety of its water management infrastructure (i.e., the risk associated with water management infrastructure, and the number of dams requiring upgrades to meet dam safety criteria). The Authority has now set long-term internal targets for these measures to help it better monitor the effectiveness of its dam safety activities.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter.[3]

PAC REPORT YEAR[4]	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 7-5 that the Department of Environment should assess the risk of loss of public money by employees in positions of trust (responsible for collection, receipt, disbursement, or expenditure of public money) and reduce the risk to an acceptable level (e.g., increasing insurance coverage or requiring criminal record checks).	**Partially implemented (as at March 31, 2007)** The Department and PSC have identified job positions that would need criminal record checks with the objective to receive all such checks over the next three years. We plan to report our assessment of their progress in a future report.

[3] For the definitions of the key terms used in the table, see Chapter 25 – Standing Committee on Public Accounts pages 398 to 399.
[4] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[4]	OUTSTANDING RECOMMENDATION	STATUS
Department of Environment (Air Quality)		
2005	PAC concurs: 10-2 that the Department of Environment should set sound and consistent terms and conditions for permits to regulate air emissions.	**Partially implemented** (as at March 31, 2006). Follow-up planned for 2008-09.
2005	PAC concurs: 10-3 that the Department of Environment should establish processes to ensure permits to regulate air emissions are properly approved and expired permits are followed up promptly.	**Partially implemented** (as at March 31, 2006). Follow-up planned for 2008-09.
2005	PAC concurs: 10-4 that the Department of Environment should set sound and consistent processes for monitoring compliance with permits to regulate air emissions and for handling air emission complaints.	**Partially implemented** (as at March 31, 2006). Follow-up planned for 2008-09.
2005	PAC concurs: 10-5 that the Department of Environment should complete its human resource plan including a plan for employee training to regulate air emissions.	**Partially implemented** (as at March 31, 2006). Follow-up planned for 2008-09.
2005	PAC concurs: 10-6 that the Department of Environment should establish systems to collect and maintain information to prepare reliable reports.	**Not implemented** (as at March 31, 2006). Follow-up planned for 2008-09.
2005	PAC concurs: 10-7 that the Department of Environment should improve its internal and external reporting on air emissions.	**Partially implemented** (as at March 31, 2006). Follow-up planned for 2008-09.

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Executive Council

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Main points

The Office of the Executive Council (Department) needs to review the accuracy of payroll prior to paying employees. Lack of prior review of payroll accuracy increases the risk that employees may be paid incorrect amounts without timely detection.

The Department needs to provide the Legislative Assembly with a performance plan and annual report each year. It also needs to develop systems to measure the results achieved for its key performance measures.

Introduction

The Office of the Executive Council (Department) facilitates and communicates decisions of the Executive Council (Cabinet). The Department:

- provides research, analysis, and policy advice to Cabinet and its committees

- coordinates policy development and government communications

- manages Cabinet's records

The Department provides support to the Premier in his role as: Head of Government; Chair of Cabinet; and Head of the political party with a mandate to govern.

The Department received $8.9 million from the General Revenue Fund in 2006-2007 and spent this money on its programs.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2007:

- the Department had adequate rules and procedures to safeguard public resources except for the matters described below

- the Department complied with authorities governing its activities relating to financial reporting , safeguarding public resources, revenue raising , spending, borrowing, and investing except for the matter related to approving employees' pay reported in this chapter

Audit findings

The following summarizes our key findings and includes an update on the status of previously reported outstanding recommendations.

Better control over employees' pay needed

The Department needs to better control employees' pay.

During the year, the Department reviewed its payroll costs during its review of monthly financial reports. However, the Department did not adequately review the accuracy of key payroll data for each pay period prior to paying employees. As a result, employees' pay has not been approved in accordance with *The Financial Administration Act, 1993*.

This weakness increases the risk that employees may be paid incorrect amounts.

1.   We recommend that the Office of the Executive Council adequately review the payroll for accuracy prior to paying its employees to ensure that all employees' pay is approved in accordance with *The Financial Administration Act, 1993*.

Status of previous recommendations

The table below provides an update on the outstanding matters previously reported. We provide the recommendation, the name of the report in which we initially made the recommendation, key related actions taken in the year, and the status of the recommendation at the time of this report.

Table 1

Previous Recommendation	Key actions or activity during audit period	Implemented (No/Partial)
We recommend the Office of the Executive Council table in the Legislative Assembly each year its performance plan and annual report prepared using the Government's Accountability Framework (2005 Report – Volume 3) On February 6, 2006, the Standing Committee on Public Accounts noted that it did not concur with this recommendation.	Management stated that it has decided not to publish an annual report publicly for this year or for the 2007/08 year. Management indicated that they are still considering publishing an annual report at some point in the future. The performance plan will be made public in 2007/08.	Not implemented

Previous Recommendation	Key actions or activity during audit period	Implemented (No/Partial)
We recommend that the Office of the Executive Council complete the development of systems to measure work performed and results achieved for its key performance measures. (2005 Report – Volume 3) The Standing Committee on Public Accounts considered this matter on February 6, 2006 and concurred with this recommendation.	The Department developed a strategic plan to cover the period 2001-02 to 2004-05 (Plan). The Department continues to use this plan to guide its operations. The Plan sets out the Department's goals, objectives, twenty-three performance measures, and selected targets. It does not contain all of the information expected under the Government's Accountability Framework at March 31, 2007. For example, the Plan does not identify which measures are key to its operations or provide baseline data for these measures. Management stated that a new plan has been developed and it is in the final stages of being approved.	Not implemented

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Finance

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Finance

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Main points

Treasury Board continues to use inappropriate policies to account for pension costs and to record transfers between the General Revenue Fund (GRF), the Fiscal Stabilization Fund, and Saskatchewan Infrastructure Fund. The use of these inappropriate policies continues to result in significant errors in the financial statements of the GRF.

The Department of Finance (Finance) provides critical government services directly or through its various special purpose funds and agencies. It relies on computer systems operated by the Information Technology Office (ITO) to deliver some of these services. As reported last year, Finance has not confirmed that ITO has sufficient processes to address the Department's specific requirements, and its agreement with ITO did not sufficiently address the recovery of essential computerized systems and data services in the event of a disaster.

At the start of 2006-07, Finance along with the Public Service Commission implemented a new computer system to process payroll. During the year, Finance did not reconcile the related salary bank account promptly. Reconciling bank accounts regularly makes sure all charges to bank accounts are proper and money is received and deposited to the correct account.

Finance collects provincial sales taxes of about $800 million annually. Finance has adequate processes to select businesses for audit except for the following. It needs to document the desired outcomes of the audit selection process in measurable terms; it needs to use an overall risk analysis to direct its audit efforts to areas of potential non-compliance with provincial sales tax laws; and it needs to report to senior management on the effectiveness of the audit selection process.

Public plans and annual reports are key documents for helping the Legislative Assembly and the public assess the performance of government agencies. In 2003, Finance established guidelines for preparing public plans and annual reports. The guidelines are adequate except they no longer contain timelines for the implementation of certain key reporting principles; i.e., setting performance targets, explaining key risks and capacity, and the integration of financial and non-financial

information. We recommend that Finance prepare an implementation schedule that contains all key reporting principles.

Government accountability is improving. Finance, in conjunction with Executive Council, is responsible to guide Treasury Board agencies on managing and reporting publicly on their performance and to improve accountability. As of October 2007, the majority of departments and larger Treasury Board agencies use accountability frameworks that focus on results. However, a few agencies that handle significant public money do not yet make public their plans and report their progress toward achieving their objectives. Also, neither Finance nor Executive Council have identified a date by which Treasury Board agencies should make public their targets for major results.

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Introduction

This chapter provides an overview of the responsibilities of the Department of Finance (Finance). Also, it sets out:

- the results of our audit of the financial statements of the Government of Saskatchewan
- the results of our audits of Finance and seven of its agencies for the year ended March 31, 2007
- actions the Government has taken to address our 2004 recommendations on the use of the Government's Accountability Framework[1]

This chapter also provides an update on the status of recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented.

Background

Treasury Board is responsible for setting accounting policies and approving the Summary Financial Statements and the General Revenue Fund (GRF) financial statements prior to their publication in the Public Accounts – Volume 1. Finance is responsible for the preparation of these statements in accordance with accounting policies set by Treasury Board. In addition, Finance is responsible for setting and using effective controls to permit the preparation of these financial statements.

To understand and assess the Government's overall financial performance, we encourage legislators and the public to use the Government's Summary Financial Statements published in *Public Accounts, 2006-2007 Volume 1.*

Finance helps the Government manage and account for public money. Its mandate is to provide options and advice to Treasury Board and Cabinet on managing and controlling the Government's finances. Its responsibilities include the following:

- administering and collecting provincial taxes

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[1] For a description of the Accountability Framework, see http://www.finance.gov.sk.ca/performance-planning. (Accessed October 4, 2007).

- arranging government financing, banking, investing, and borrowing
- administering certain public sector pension and benefit plans
- controlling spending from the GRF
- maintaining department-wide revenue and expense systems including the financial modules of the computerized Multi-informational Database Applications system (MIDAS Financials)
- providing information, advice, and analysis on:
  - government-wide fiscal and economic policies including tax policy alternatives and budgetary decisions relating to the GRF
  - strategic policy development and analysis on matters related to public sector compensation and management of collective bargaining
  - financial management and accounting
  - performance planning and reporting (including the Government's Accountability Framework)

Special purpose funds and Crown agencies

Finance administers and is responsible for the following special purpose funds and agencies (agencies). Each of the agencies (except for the Fiscal Stabilization Fund and Saskatchewan Infrastructure Fund) provide the Legislative Assembly with audited financial statements; some also provide an annual report.[2]

Year ended March 31
Fiscal Stabilization Fund
General Revenue Fund
Judges of the Provincial Court Superannuation Plan
Public Employees Benefits Agency Revolving Fund
Public Employees Pension Plan
Public Service Superannuation Plan
Saskatchewan Infrastructure Fund
Saskatchewan Pension Annuity Fund
Saskatchewan Watershed Authority Retirement Allowance Plan

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[2] Public Accounts – Volume 1 includes an audited schedule of transfers and accumulated balances for the Fiscal Stabilization Fund and Saskatchewan Infrastructure Fund. These Funds are not required to prepare financial statements.

Year ended December 31
Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Extended Health Care Plan for Certain Other Retired Employees
Extended Health Care Plan for Retired Employees
Municipal Employees' Pension Commission
Municipal Financing Corporation of Saskatchewan
Public Employees Deferred Salary Leave Fund
Public Employees Dental Fund
Public Employees Disability Income Fund
Public Employees Group Life Insurance Fund
Saskatchewan Pension Plan
Saskatchewan Power Corporation Designated Employee Benefit Plan
Saskatchewan Power Corporation Pre-1996 Severance Plan
Saskatchewan Water Corporation Retirement Allowance Plan
SaskEnergy Retiring Allowance Plan
SaskPen Properties Ltd.[3]
SaskPower Supplementary Superannuation Plan
SGI Service Recognition Plan

Chapter 4 of our 2007 Report – Volume 1 contains the results of our audits of the agencies with years ended December 31, 2006.

Overview of the Department's finances

For the year ended March 31, 2007, Finance had revenues of $6.5 billion and spent almost $1.0 billion.

The following is a list of major revenues:

	Original Estimates	Actual
	(in millions of dollars)	
Taxes	$ 4,002.9	$ 4,476.5
Transfers from government entities	525.2	572.9
Other own-source revenue	187.0	240.7
Transfers from the Federal Government	1,131.2	1,184.7
Total	$ 5,846.3	$ 6,474.8

[3] Our Office has been denied access to this Crown agency since December 31, 1993 (see Chapter 8 of our 1999 Fall Report –Volume 2 for further discussion of the matter).

The following is a list of major programs and spending:

	Original Estimates		Actual	
	(in millions of dollars)			
Public service pension and benefits	$	219.1	$	395.5[4]
Central management and services		6.7		8.3
Treasury and debt management		2.7		2.5
Provincial comptroller		8.7		7.4
Budget analysis		4.6		4.6
Revenue		16.6		17.0
Personnel policy secretariat		0.4		0.3
Miscellaneous		0.1		0.2
Capital asset amortization		1.0		1.1
Finance – servicing government debt		551.0		538.3
Total	$	810.9	$	975.2

Finance's annual report sets out differences between actual and budgeted revenues and expenses and explains significant differences in expenses.

Our audit conclusions and findings

Our Office worked with Meyers Norris Penny LLP, the appointed auditor for the Public Employees Pension Plan. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.*[5]

In our opinion for the year ended March 31, 2007:

* the Government's Summary Financial Statements included in the *Public Accounts, 2006-2007 Volume 1* are reliable

* the GRF's financial statements included in the *Public Accounts, 2006-2007 Volume 1* are reliable except for not recording amounts owed for pensions and improper recording of transfers between the GRF and the Fiscal Stabilization Fund and the Saskatchewan Infrastructure Fund

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[4] Actual public service pension and benefits is restated to include $178 million of unrecorded pension costs (see details later in this chapter).
[5] To view a copy of this report, see our website at www.auditor.sk.ca/rrd.html.

- the financial statements of the other above-listed agencies with a March year-end are reliable

- Finance and its agencies with a March year-end had adequate rules and procedures to safeguard public resources except for matters reported in this chapter

- Finance and its agencies with a March year-end complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for matters reported in this chapter

- Finance had adequate central controls to secure transactions on MIDAS Financials for the period January 1, 2006 to December 31, 2006

In addition, the law requires us to report when a special warrant approved the payment of public money. For the year ended March 31, 2007, the Government approved the spending of $191 million by special warrant. It later included these special warrants in an appropriation act.

Business continuity plan required

In our 2006 Report – Volume 3, we reported that Finance needs a written, tested, and approved business continuity plan to help ensure that it can continue to provide services in the event of a disaster.[6]

Finance provides critical government services. These include controlling spending from the GRF (central payments system), managing the Government's debt, and collecting all revenues due to the GRF.

Finance must provide these services even if a disaster disrupts its ability to operate and provide services in the normal manner. Without an adequate business continuity plan, Finance is at risk of not being able to provide critical services in a timely manner.

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[6] **Business Continuity Plan** - Plans by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

In 2006-2007, Finance prepared a draft plan. Finance assembled a business continuity team and analyzed its business functions. The analysis includes a threat and risk assessment and identifies its critical services and a vital records inventory. As well, Finance has documented and tested a disaster recovery plan for its central payment system.

Finance needs to complete the plan by documenting the steps for recovery and restoration of critical services, such as the collection of provincial sales tax, and testing the plan.

PAC considered this matter on October 5, 2006 and concurred with our recommendation.

We continue to recommend that the Department of Finance complete its business continuity plan.

Control over disaster recovery of IT systems

Finance's service level agreement with the Information Technology Office (ITO) does not adequately address the area of disaster recovery.

Since September 2005, Finance has used ITO to provide it with IT services. Even though Finance uses ITO, Finance remains responsible to have adequate policies to support its IT requirements.

Finance's agreement with ITO sets out the scope, level, and quality of services ITO provides. However, the agreement does not include adequate provisions for the on-going availability of key information technology services. The agreement does not adequately address disaster recovery processes, expectations, and reporting requirements.

The disaster recovery plan that ITO is developing for its data centre does not identify the priority or procedures required to restore applications at Finance. In the case of a disaster, Finance does not know if or when ITO would restore Finance's systems.

· PAC considered this matter on March 13, 2007 and concurred with our recommendation.

We continue to recommend that the Department of Finance confirm, in writing, the processes and policies that the Information Technology Office uses to address its specific disaster recovery requirements and then identify and set up additional policies unique to the Department of Finance as necessary.

Better human resource plan needed

In 2005-2006, we reported that Finance's human resources plan document did not have all the key components that comprise a comprehensive human resource plan. A comprehensive human resource plan would help Finance ensure that it continues to have the right employees, in the right jobs, and at the right time.

A comprehensive human resource plan should:
♦ set out human resource priorities that are linked to Finance's strategic direction
♦ describe key human resource risks
♦ outline gaps in current human resources
♦ describe strategies to bridge gaps and address risks
♦ outline implementation plan of major strategies

We do not expect all of these components to be in a single document.

During 2006-2007, Finance revised its human resource plan to identify its key risks and include a projection of future human resource needs for new and ongoing activities. However, the plan does not yet set out the financial resources Finance would need and when. Also, it does not identify who is responsible to implement the planned strategies.

As of October 1, 2007, the Government transferred Finance's Human Resources Division to the Public Service Commission (PSC). Finance should work with PSC to ensure it is clear who is responsible for completing Finance's human resource plan.

PAC considered this matter on March 13, 2007 and concurred with our recommendation.

We continue to recommend that the Department of Finance complete its human resource plan.

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Annual pension costs not included in Estimates

Accounting for pension costs on an accrual basis is important so that reported expenses reflect the full cost of the Government's pension promises.

Since 1998, we have recommended that Finance include the GRF's total pension costs for the year in the Estimates. The Estimates only include pension costs on a cash basis, that is, amounts the Government expects to pay retired members or contribute to a pension fund that year.

The effects of not including the GRF's total pension costs in the Estimates are significant. In the 2006-2007 Estimates:

- planned operating expenses of $7.1 billion are understated by $451.4 million
- planned surplus of $102,000 is overstated by $451.4 million
- planned accumulated deficit of $4.3 billion is understated by $4.4 billion

Finance did not provide legislators with the effects on the 2007-2008 Estimates of accounting for pension costs on an accrual basis. It has disclosed that it expects its expenses to increase by an additional $380 million[7] to account for pension costs related to the GRF.

In February 2002, PAC considered this matter and disagreed with our recommendation.

Better control over bank accounts needed

Finance needs to follow its rules and procedures to control its bank accounts.

Finance's procedures require employees to reconcile the recorded bank balances to the bank's records each month. They also require management to review and approve the reconciliations. Regular reconciliation of recorded bank balances to the bank's records provides an important check that all charges to the bank account are proper and all money is received and deposited into the right account. It also provides a

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[7] 2007-2008 Saskatchewan Provincial Budget – Budget and Performance Plan Summary. page 56.

check on the accuracy and reliability of Finance's accounting records. Furthermore, timely bank reconciliations help detect errors or misuse of money quickly.

In 2006-2007, Finance did not reconcile its sinking fund bank accounts promptly. It did not complete these bank reconciliations from July 2006 to March 2007 due to an oversight following a staffing change. It completed these bank reconciliations by May 2007.

In 2006-2007, Finance did not reconcile the Government's salary bank account promptly. It was unable to complete the reconciliation for April 2006 until February 2007. The bank reconciliations for May 2006 to March 2007 were completed by May 2007. This was due in part to the Government's implementation of the new MIDAS Human Resources payroll computer system on April 1, 2006.

1.   We recommend that the Department of Finance follow its established rules and procedures and reconcile recorded bank balances to the bank's records promptly.

Better control over employees' pay needed

Finance needs to better control employees' pay.

During the year, Finance reviewed its payroll costs during its review of monthly financial reports. However, Finance did not adequately review the accuracy of key payroll data for each pay period prior to paying employees. As a result, employees' pay has not been approved in accordance with *The Financial Administration Act, 1993*.

This weakness increases the risk that employees may be paid incorrect amounts.

2.   We recommend that the Department of Finance adequately review the payroll for accuracy prior to paying its employees to ensure that all employees' pay is approved in accordance with *The Financial Administration Act, 1993*.

Continued use of inappropriate accounting policies – General Revenue Fund

Treasury Board does not use Canadian generally accepted accounting principles for the public sector (GAAP) to account for pension costs or to record transfers to and from the Fiscal Stabilization Fund and the Saskatchewan Infrastructure Fund when preparing the GRF financial statements.

The impact of using inappropriate accounting policies results in significant errors in the GRF financial statements. These errors affect the reported net debt and annual surplus. If these transactions had been accounted for properly, the statements would have recorded net debt of $10.11 billion instead of $6.45 billion at March 31, 2007 and recorded a deficit of $15 million instead of a surplus of $293 million for the year then ended.

Because the errors significantly impair the usefulness of these financial statements, we have qualified our auditor's report on the GRF's financial statements published in *Public Accounts, 2006-2007 Volume 1.*

Qualified audit reports are not normal and should cause legislators and the public concern. Our audit report advises readers of the errors in the financial statements. This chapter explains them in more detail.

It is important that governments use GAAP to prepare their financial statements. Use of GAAP helps ensure the financial results are presented fairly and free from bias. It is not appropriate for governments to set accounting policies based on their own preferences.

Financial statements should reflect the costs of decisions made during the year. As noted below, use of the current policies result in the GRF statements not reflecting the cost of a key pension decision. Also, as the Government uses the GRF's annual surplus as one of its key performance indicators, users should consider the impact of the errors in the GRF's financial statements.

· We continue to recommend that the General Revenue Fund's financial statements record pension costs and transfers in accordance with Canadian generally accepted accounting principles for the public sector.

PAC considered these matters in February 2002 and disagreed with our recommendation.

The following sets out in more detail the impact of the use of the above inappropriate accounting policies.

Pension debts unrecorded

The Government, through the GRF, sponsors several large pension funds (e.g., Public Service Superannuation Plan, Teachers' Superannuation Plan). As the Government acknowledges in note 1 to the 2007 GRF financial statements, Treasury Board has decided not to follow GAAP to account for its pension costs.

Rather, the Treasury Board accounts for its pension costs in the GRF on a cash basis (i.e., only records amounts paid to retired members or contributed to a pension fund during the year).

The use of this inappropriate accounting policy results in inaccurate GRF financial statements because the Government fails to record the amounts it owes for pensions (debt) and the total annual costs of these pensions as required by GAAP. Also, the cost of major pension decisions taken in the year are not recorded in the year that the decision is made. As a result, the Government does not provide legislators and the public with information on these decisions and is not held accountable for the cost of the decision it has taken.

For example, neither the GRF statements nor the GRF budget (i.e., the *Estimates*) includes the cost of the March 27, 2007 decision to increase pension benefits for members of the Public Service Superannuation Plan by 70% of the consumer price index.[8] For the year ended March 31, 2007, this decision increased pension costs and pension amounts owed by about $90 million. If Treasury Board continues to use inappropriate accounting policy, this will result in future governments being held accountable for this pension decision.

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[8] On March 27, 2007, the Assembly passed Bill 32 *an Act to amend The Superannuation (Supplementary Provisions) Act, 2006* which provides pension increases equal to 70% of the change of the consumer price index for superannuates from various pension plans. The plans include the Public Service Superannuation Plan, the Power Corporation Superannuation Plan, and the Liquor Board Superannuation Plan.

These statements do not record the total 2007 pension costs of $413 million (including the $90 million of costs related to the above pension decision) and pension amounts owed at March 31 2007 of $4.66 billion. As a result, the 2007 GRF financial statements overstate the annual surplus by $413 million and understate the accumulated deficit by $4.66 billion.

Further, the use of this accounting policy affects the accuracy of information reported in the annual reports of the two departments that sponsor certain pension plans. The 2006-2007 annual report of Learning understates its actual expenses by $235 million and that of Finance understates actual expenses by $178 million. Neither annual report discloses the related pension debt of $2.84 billion for teachers' pensions and benefits (i.e., Learning) or of $1.82 billion for government employees' pensions and benefits (i.e., Finance).

Inappropriate recording of transfers

The Government records transfers between the GRF and the Saskatchewan Infrastructure Fund and the Fiscal Stabilization Fund inappropriately.

In 2007, the Government created the Saskatchewan Infrastructure Fund (Infrastructure Fund).[9] The Infrastructure Fund functions similar to the Fiscal Stabilization Fund.[10] As the Government acknowledges in note 1 to the GRF's financial statements, Treasury Board has decided not to follow GAAP to account for its transfers between the GRF and these Funds.

Treasury Board records transactions between the GRF and the Funds as revenue or expense of the GRF. Use of this policy enables the Government to change the GRF's annual surplus to another amount by recording transfers between the GRF and the Funds. The Government decides both the amount and timing of the transfers between the GRF and the Funds. Transfers between the GRF and these Funds have no impact on the overall finances of the Government.

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[9] The *Infrastructure Fund Act* established the Saskatchewan Infrastructure Fund effective December 6, 2006.

[10] The *Fiscal Stabilization Fund Act* established the Fiscal Stabilization Fund effective April 1, 2000.

The substance of the transactions between the GRF and these Funds is that the amounts that the GRF has paid or owes to the Funds must be repaid to the GRF. GAAP does not allow governments to record changes in the amounts owed from/due to or collected from/paid to the Funds as revenue or expense of the GRF.

The 2007 GRF financial statements inappropriately include a transfer to the Infrastructure Fund as an expense of $105 million. As a result, the 2007 GRF financial statements overstate the accumulated deficit by $993 million and understate the annual surplus by $105 million.

Overall impact of use of inappropriate accounting policies

Exhibit 1 sets out what the amounts reported in the 2007 GRF financial statements would be if the Government had used the correct accounting policies.

Exhibit 1 – Impact on GRF financial statements

Financial statement item	Amount reported in 2007 GRF financial statements	Amount using appropriate accounting policy	Difference Amount reported is: overstated (too high) understated (too low)
Statement of Financial Position			
Total Financial Assets (due from the Fiscal Stabilization Fund and the Saskatchewan Infrastructure Fund)	$6.11 billion	$7.10 billion	$993 million (understated)
Total Liabilities (pension debt)	$12.55 billion	$17.21 billion	$4.66 billion (understated)
Net Debt	$6.45 billion	$10.11 billion	$3.67 billion (understated)
Accumulated Deficit, at March 31 2007	$4.00 billion	$7.67 billion	$3.67 billion (understated)
Statement of Operations			
Total Operating Expense	$7.71 billion	$8.12 billion	$413 million (understated)
Transfer to the Saskatchewan Infrastructure Fund expense	$105 million	$ --	$105 million (overstated)
Surplus (deficit)	$293 million	$(15 million)	$308 million (overstated)

Public Service Superannuation Board

Overview of Board

The Public Service Superannuation Board (Board) is responsible for the administration of *The Public Service Superannuation Act* and other relevant legislation. The primary objective of the Board is to provide superannuation allowances to employees who retire and to the dependants of deceased superannuates and employees, in accordance with governing legislation.

The Board manages the Public Service Superannuation Plan (Plan), which consists of the Public Service Superannuation Fund, the Anti-Tuberculosis League Employees Superannuation Fund, and the Saskatchewan Transportation Company Employees Superannuation Fund. The Plan is a defined benefit final average pension plan.[11]

In 2006-2007, the Plan received contributions of $4.3 million from employees and $100.6 million from the General Revenue Fund. At March 31, 2007, the Plan held assets of $15.2 million and had liabilities of $1,886.7 million.

Complete business continuity plan needed

The Board needs a written, tested, and approved business continuity plan to help ensure that it can continue to operate effectively in the event of a disaster.

The critical services the Board provides include receiving and recording contributions, handling transfers, and providing termination benefits, death benefits, and retirement benefits to members. The Board must provide these services even if a disaster disrupts its ability to operate in a normal manner. Exhibit 2 describes the elements of a complete business continuity plan. Without a complete business continuity plan, the Board is at risk of not being able to provide critical services in a timely manner.

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[11] Defined benefit final average pension plan is a pension plan that specifies the pension that members of the plan receive on retirement based on a formula that uses an average of the members pay for the last three to five years of employment and years of employment.

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Exhibit 2 – Components of a business continuity plan

Business continuity plans should:

- Be supported by management. Management should make the required resources available to create and maintain the business continuity plan.
- Be based on a threat and risk assessment including identifying and ranking the Board's critical services.
- Include plan activation, notification and emergency procedures that would be used in the event of a disaster together with steps for the recovery and restoration of critical services.
- Be documented, approved by management, and easily accessible when needed.
- Be tested initially and on a regular basis.
- Set out policies for on-going maintenance and updating of the plan.

The Board has documented some elements of a business continuity plan. For example, the Board has documented some of the information technology equipment it uses and has arranged for use of an offsite facility in the event of a disaster. However, the Board needs to identify and rank its critical services, determine the recovery time, and document processes to recover or restore each service. The Board also needs to periodically update and test its business continuity plan.

3.   We recommend that the Public Service Superannuation Board have a complete business continuity plan.

Retired members' pensions

The Board does not collect sufficient information about retired members of the Plan who are receiving a pension and have returned to work for the Government. The Board needs this information to ensure it pays pensions in accordance with the law.

Requirements for stopping the pensions of retired members who return to work for the Government are set out in section 27 of *The Superannuation (Supplementary Provisions) Act* (Act). The Act allows retired members to work as temporary, casual, or provisional employees for up to six months in a fiscal year without a reduction in their pensions. However, the Act requires the Board to stop the pension of a retired member who works for the Government for more than six months in a fiscal year. The Act also requires the Board to stop the pension of a retired member who the

Government re-hires as a permanent employee when that member starts work.

The Board does not have rules and procedures to know if retired members are working for the Government. The Board relies on retired members notifying the Board upon re-employment with the Government. As a result, the Board cannot ensure that all pensions it paid comply with the law. Accordingly, we cannot determine if the Board complied with section 27 of the Act.

We reported this matter in our 2001 Spring Report and subsequent reports. In November 2001, PAC considered this matter and concurred with our recommendation.

We continue to recommend that the Public Service Superannuation Board establish rules and procedures to ensure that all retired members who are receiving a pension and return to work for the Government are paid in accordance with the Act. Alternatively, the Board should seek changes to the Act.

Public Employees Pension Plan

Overview of Plan

The Public Employees Pension Board (Board) is responsible for *The Public Employees Pension Plan Act*. The Board manages the Public Employees Pension Plan (PEPP), a defined contribution pension plan. The Board's primary objective is to provide retirement benefits to PEPP members in accordance with the law. The Public Employees Benefits Agency (PEBA) provides the day-to-day administration of PEPP.

PEPP's 2006-07 Annual Report include its audited financial statements. These financial statements report contributions of $84 million from employees and $79 million from employers, investment income of $176 million, and an increase in market value of the investments of $276 million. For the year, PEPP incurred administrative expenses of $15 million and made transfers or payments out of PEPP of $135 million. At March 31, 2007, PEPP held assets of $4.3 billion.

Complete business continuity plan needed

In our 2006 Report – Volume 3, we reported that PEPP needs to complete its business continuity plan.

PAC considered this matter in March 2007 and agreed with our recommendation.

PEPP needs a written, tested, and approved business continuity plan to help ensure that it can continue to provide critical services in the event of a disaster. PEPP's critical services include receiving and recording contributions from employers and employees, handling transfers, and providing members with termination benefits, death benefits, and retirement benefits.

Exhibit 2 sets out the key elements of a business continuity plan.

PEPP continues to make progress in documenting the elements of its plan. However, it still needs to rank its critical services, document the steps for restoring its critical services, determine recovery time, and document processes to recover or restore each service. PEPP also needs to periodically update and test its business continuity plan.

We continue to recommend that the Public Employees Pension Plan complete its business continuity plan.

IT security policies and procedures needed

Since our 2005 Report – Volume 3, we reported that the Public Employees Pension Plan needs to approve and implement information technology (IT) policies and procedures for granting, removing, and monitoring user access to its systems and data.

IT policies and procedures ensure vital information is protected, accurate, complete, authorized, and available when needed. Monitoring user access ensures only authorized users access an agency's systems and data.

PEPP has established written policies and procedures for granting and removing access to vital information and programs. However, it has not

established processes, including written policies and procedures, for monitoring who has access to what systems and if that access is still appropriate. Absence of these processes could result in unauthorized disclosure of information, reliance on incomplete and inaccurate information, and the loss of vital information.

We continue to recommend that the Public Employees Pension Plan document, approve, and implement information technology policies for monitoring user access.

Judges of the Provincial Court Superannuation Plan

Overview of Plan

The Judges of the Provincial Court Superannuation Plan (Plan) was established under *The Provincial Court Act* and continues under *The Provincial Court Act, 1998*. Finance is responsible for the administration of *The Provincial Court Act, 1998*.

The primary objective of the Plan is to provide superannuation allowances to judges who retire (superannuates) and to the dependants of deceased superannuates and judges in accordance with governing legislation. The Plan is a defined benefit final average pension plan.

In 2006-2007, the Plan had employee contributions of $0.4 million and $2.3 million in additional contributions from the General Revenue Fund. At March 31, 2007, the Plan held net assets of $19.0 million and had liabilities of $90.8 million resulting in an unfunded liability of $71.8 million.

Governance processes

In our 2003 Report – Volume 1, we reported that the Government's pension plans need to improve their governance processes. We recommended that the pension plan boards develop and implement strategic plans, define their responsibilities, define and communicate their financial and operational information needs, and develop and implement communication plans.

In September 2004, PAC considered this matter and concurred with our recommendations.

The Plan is significant to Finance, members of the Plan, and the public. Finance, through the GRF, incurs significant costs to provide pensions. The Plan's unfunded liability is the GRF's responsibility. At year-end, the Plan had an unfunded liability of $72 million. Without a strategic plan, Finance may not properly manage the Plan's risks.

In our 2006 Report – Volume 3, we reported that Finance had not developed a strategic plan for the Judges of the Provincial Court Superannuation Plan including goals and objectives, a summary of risks faced by the Plan and its members, and the key strategies to manage those risks.

At June 2007, Finance has not developed a strategic plan setting out the goals and objectives, a summary of risks faced by the Plan and its members, and the key strategies to manage those risks. Management told us it will start developing a plan in the latter part of 2007-08.

We continue to recommend that the Department of Finance develop a strategic plan for the Judges of the Provincial Court Superannuation Plan.

PST audit selection processes

The Government's primary objective for the tax system is to raise the necessary revenues to finance key public services such as health care, education, and highways.[12] The Government's estimated tax revenue for 2007-08 is $4.1 billion. Provincial sales tax (PST) is a significant part of the tax system. This 5% consumer tax applies to the purchase of certain goods and services. Estimated provincial sales tax revenue for 2007-08 exceeds $800 million.

Background

Finance is responsible for administering the provincial sales tax. By law, all businesses in Saskatchewan must register with Finance. Businesses selling taxable goods and services must obtain a vendor's license. Businesses not selling taxable goods or services must register for the purpose of paying tax on items purchased outside the province. Businesses must also file regular tax returns with Finance. Tax returns

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[12] *Department of Finance 2006-2007 Annual Report*, page 11.

may be filed monthly, quarterly, or annually depending on the amount of tax collected.[13]

Effective management of the provincial sales tax system is crucial to achieving two of Finance's goals as noted in its 2006-2007 annual report: Goal 1 – Saskatchewan is fiscally strong and stable, and Goal 2 – Saskatchewan is a prosperous and socially responsible province.

Audits of businesses are an important tool that help Finance to manage the provincial sales tax system. To be effective, these audits must focus on areas with a higher risk of non-compliance and encourage voluntary compliance with provincial sales tax laws.

Without effective processes, Finance may not receive all taxes due and the Government may not have adequate resources to pay for services and maintain the financial stability of the province.

Audit objective and conclusion

The objective of this audit was to assess the adequacy of Finance's processes as at August 31, 2007 to select businesses for audit to promote compliance with provincial sales tax laws.

To do this work, we followed *Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants. We assessed Finance's processes against the criteria summarized in Exhibit 3. We developed the criteria based on our review of relevant literature and criteria used by other legislative audit offices. Finance agreed with the criteria. We describe the criteria in more detail under key findings.

Exhibit 3 – Audit criteria for selecting businesses for audit

To have adequate processes for selecting audits, Finance should:
1. Document the mandate and purpose for doing PST audits
2. Analyze the risks of non-compliance with tax laws
3. Direct audits to areas of potential non-compliance
4. Report on the effectiveness of the audit selection process

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[13] Department of Finance website: http://www.finance.gov.sk.ca/taxes/pst. (October 26, 2007).

The Department of Finance had adequate processes at August 31, 2007 to select businesses for audit except it needs to:

♦ document the desired outcomes of the audit selection process in measurable terms

♦ use an overall risk analysis to direct its audit efforts to areas of potential non-compliance with provincial sales tax laws

♦ report to senior management on the effectiveness of the audit selection process

Key findings

In this section, we describe our expectations (in italics) and set out our key findings by criterion.

Document the mandate and purpose for doing provincial sales tax audits

To document the mandate and purpose for doing PST audits, we expected Finance to:

♦ *state the objectives of doing PST audits*
♦ *specify the desired outcomes to be achieved*
♦ *identify resources available and constraints assumed*

Audit processes would include the development and implementation of a comprehensive set of performance measures (both output and outcome-focused) and close monitoring of the results. Measuring effectiveness of audit processes is best done by using a number of indicators, of both outputs and outcomes, as no single reliable measure can capture every aspect of audit effectiveness. Outputs would include the number of audits (with consideration of sectors or areas subject to audit), the amount of tax assessed per audit, and the amount of time spent per audit. Outcomes would include the overall rate of non-compliance known as the "tax gap" and businesses' attitude towards audit and non-compliance.

Finance uses its key planning documents and website to set out its public objectives for doing PST audits. For example, its 2007-08 performance plan states that conducting audits of businesses helps the Department to

achieve its objectives "to promote voluntary compliance with tax laws and to ensure that all businesses are paying and remitting the required taxes." Its performance plan notes the number of audits conducted needs to be high enough to meet these objectives.

Finance's website elaborates by adding that the Department:

- promotes compliance with tax programs through quality service, taxpayer education and responsible, effective enforcement
- ensures taxpayers and businesses are treated consistently and fairly

Finance has divided the province into five audit regions. Each year, it prepares an annual audit plan that outlines expected work for all regions. The annual budget for the audit branch is about $5 million. The audit plan focuses primarily on the estimated number of audits that Finance expects to complete based on resources available. In recent years, Finance has experienced high staff turnover in its audit branch. We found that it considers this constraint when preparing the annual audit plan.

Finance has not set the desired outcomes for its objectives. As a result, it is unable to link its resource needs to the actions necessary to achieve its objectives.

We noted that staff in the revenue division have begun to develop additional performance measures that are aligned with the Department's performance plan. Use of clearly defined measures will help Finance focus its action plans, strategies, and audit resources effectively.

4.   **We recommend that the Department of Finance set the desired outcomes of the provincial sales tax audit selection process in measurable terms.**

Analyze the risks of non-compliance with tax laws

To analyze the risks of non-compliance with tax laws, we expected Finance to:

- *identify the risks of non-compliance with tax laws*
- *rank identified risks according to their significance*

- *use results of past audits and experience elsewhere in the risk analysis*
- *set expected rates of non-compliance acceptable to management*

An effective system involves identifying and quantifying key risks. developing a clear strategy to address those risks. and periodically evaluating progress made.

Finance has not done an overall risk analysis to identify, rank, or document the areas of potential non-compliance with PST laws. Such an analysis is necessary to enable Finance to focus its resources on areas where non-compliance is of greatest significance and impact. Risk assessment would include assessing the desired audit coverage necessary to deter non-compliance. Effective risk analysis also helps to identify potential issues and encourage a consistent approach in each of its audit regions.

Finance uses several informal processes to monitor potential problem areas, usually those where it previously noted cases of non-compliance. For example, it uses information gathered from its other audits, reviews business registrations and news articles, and monitors new construction in the province. Finance uses a central information system to document and track evidence obtained about possible non-compliance with PST laws by specific businesses for later follow-up.

In addition. Finance works with other provinces and the Federal Government to identify areas of non-compliance with tax laws. For example, it participates on an underground economy-working group. Finance exchanges information with these other governments on matters of interest related to compliance with tax laws.

Finance's audit manual provides employees with some general guidance for selecting audits in areas where experience has suggested that there is a greater risk of non-compliance. However, Finance has not ranked the significance of these general consideration areas. Usually, managers need to do further analysis of these areas to determine the businesses to select for audit.

Finance has not set expected rates of non-compliance that it considers acceptable, i.e., when it is not economical or practicable to perform

further audit activity. Consequently, Finance does not know if it is spending the appropriate amount of audit effort to achieve each of its objectives.

5.   We recommend that the Department of Finance analyze the risks that businesses are not complying with provincial sales tax laws and rank identified risks according to their potential significance.

6.   We recommend that the Department of Finance document its audit strategy to address identified risks that businesses are not complying with provincial sales tax laws.

Direct audits to areas of potential non-compliance

To direct audits to areas of potential non-compliance, we expected Finance to have processes to:
*   *select businesses for audit based on the risk analysis*
*   *design an appropriate audit program*
*   *supervise and review audits for assurance that audits addressed the risk areas identified in the audit selection process*

As stated earlier, setting clear expectations and doing an overall risk analysis is necessary to focus the audit selection process on areas of greatest potential for non-compliance with PST laws. Because Finance does not do this, it does not know if it is directing its audit efforts to areas in proportion to the corresponding likelihood for potential non-compliance.

Although Finance does not formally direct audit staff to examine risk areas that it has determined to be most significant, it maintains an audit manual that contains general guidance on processes and procedures for selecting and performing audits. These processes assign responsibility for the selection of businesses for audit to regional managers. They use a variety of information sources to identify possible businesses to audit. Managers make selections based on factors such as size of the business, past filings, audit history, tips, and the nature of the business's transactions. Available resources, the manager's experience, and the desire to create an atmosphere of fairness also influence file selection.

The audit manual also contains specific guidance on audit procedures aimed at particular business types. These procedures focus on areas where there is a probability of finding errors.

When Finance selects a business for audit, an auditor carries out standard audit procedures as set out in the audit manual. For scheduled out-of-town audit trips, auditors also select other businesses in the same town. This often results in auditors spending time on matters where no potential risk had been identified, and finding little or no unremitted tax. Finance's processes should direct its audit efforts to businesses in proportion to the risk of detecting non-compliance with PST laws.

We found that appropriate staff review and supervise all audits. Adequate review and supervision helps ensure the audits adequately address the matters identified during the selection process.

7.   We recommend that the Department of Finance direct its audit efforts based on an overall risk analysis of businesses not complying with provincial sales tax laws.

Report on the effectiveness of the audit selection process

To report on the effectiveness of the audit selection process, we expected the Department to have processes that:

- *evaluate actual performance of the process compared to expected performance at least annually*
- *report to senior management on the performance of the process compared to expected performance at least annually*
- *recommend process changes to senior management as needed*

Because Finance has not set out its desired outcomes, its reports focus on activities as set out in its annual audit plan. Finance monitors its audit program using periodic activity reports. For example, staff provide monthly activity reports to senior management comparing planned activities to actual results (e.g., audit hours used, taxes assessed, number of audits completed, and tax-roll coverage rate). These reports contain details by region. Staff also prepare narrative reports about the division's activities. However, these reports do not explain the differences between actual and planned activities.

Staff can suggest changes concerning the audit process to senior management as matters arise. For significant changes, staff submit formal proposals. The quality control area within the audit branch reviews changes affecting the audit manual before making any revisions. Where additional resources are required, the director of the audit branch reviews the suggestions and recommends an appropriate course of action to senior management.

Finance needs to continue its efforts to develop relevant measures that it can use to monitor, evaluate, and report on the effectiveness of the PST audit selection process. Senior management needs more information to assess whether it is applying audit efforts where they will be most effective. In addition to highlighting its activities, its reports should also explain any differences between planned and actual results.

8.   We recommend that the Department of Finance require its senior management to receive reports on the effectiveness of the provincial sales tax audit selection process.

Selected references – PST audit selection processes

Annual Report of the Provincial Auditor of Ontario. (2002). Chapter 4.07 - Retail Sales Tax Program Audit (Follow-up to VFM Section 3.07, *Special Report on Accountability and Value for Money - 2000)*. Toronto: Author.

Report of the Auditor General of Canada. (March 2004). Chapter 5 - Canada Revenue Agency: *Audits of Small and Medium Enterprises*. Ottawa: Author.

Report of the Auditor General of New Brunswick. (1999). Chapter 3 - Department of Finance *Consumption Tax*. Fredericton: Author.

Strengthening Tax Audit Capabilities: General Principles and Approaches (October 16, 2006). Organisation for Economic Co-operation and Development. Paris, France: Author.

U.S. General Accountability Office: Study on Tax Compliance. (2007). *Multiple Approaches are Needed to Reduce the Tax Gap*. Washington, D.C.: Author.

Public plans and annual reports assessment

Public plans and annual reports are key documents for the accountability of government agencies. These reports should help the Legislative Assembly and the public assess the performance of government agencies.

In 2003, Finance began providing formal public reporting guidelines to departments, three Crown corporations and key cross-sector strategies. Finance's 2003 *Public Performance Reporting Guidelines* contained a four-year implementation schedule.

Every year, Finance communicates updated guidelines and content requirements for performance plans and annual reports. Finance's guidelines are based on public reporting principles developed by the CCAF[14] and set out in a publication called *Reporting Principles–Taking Public Performance Reporting to a New Level*.

Our objective

The objective of this audit is to determine if Finance's 2007 *Public Performance Reporting Guidelines* for public plans and annual reports comply with CCAF's reporting principles.

Throughout the audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Our expectations for the guidelines

Criteria represent our expectations or the main elements we looked for in our audit. According to the CCAF, an agency's performance reports must incorporate the following nine principles to adequately report on performance:

1.   Focus on the few critical aspects of performance
2.   Look forward as well as back

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[14] CCAF-FCVI Inc. is a public-private partnership that "is a source of support, leading edge research and capacity for members of governing bodies, executive management, auditors, and assurance providers". For more information, see http://www.ccaf-fcvi.com.

3.   Explain key risk considerations
4.   Explain key capacity considerations
5.   Explain other factors critical to performance
6.   Integrate financial and non-financial information
7.   Provide comparative information
8.   Present credible information, fairly interpreted
9.   Disclose the basis for reporting

Finance agrees with these principles. In 2007, Saskatchewan's public sector reports reflect most of these principles. Some of the principles, such as ensuring information is relevant, accurate and reliable, are challenging and meeting them may require significant time and resources. It is not common to find the principles used in an integrated manner or to their full extent.

Detailed assessment

This section explains how Finance's guidelines compare to CCAF's nine reporting principles. For each principle, we describe the principle in italics followed by our assessment of Finance's planning and reporting guidelines and content requirements.

Principle 1—Focus on the few critical aspects of performance

To be understandable, public performance reports need to focus selectively and meaningfully on a small number of critical areas of performance. Reports need to explain the value created by key programs or business lines. Reports should show the relationship between short-term results (outputs) and long-term goals (outcomes). Reports need to organize the information that is important to stakeholders in a concise yet robust presentation.

The guidelines Finance used in 2007 meet the main CCAF requirements for this principle. The guidelines require both plans and annual reports to organize information by goals and objectives. This allows readers to assess if planned results are achieved. Finance also requires explanations on the strategic importance of the objective as well as an overall assessment of progress expected or made during the year. Finance updated its planning guidelines to require agencies to document how their actions support key cross-government strategies.

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Principle 2—Look forward as well as back

Clear expectations are important to a fair assessment of an agency's past performance. Therefore, reports need to identify the specific objectives through which goals are to be realized and track actual achievements against them. Reports should inform stakeholders how short-term achievements affect prospects for realizing long-term goals and show what has been learned and what will change as a result.

Finance requires each department's public plan to show its goals and related objectives. Finance expects that the annual report will describe actual results for key actions and performance measures that were published in the performance plan. The reporting guideline also requires agencies to explain why an action was not completed.

Finance's guidelines do not require agencies to publicly disclose targets. Performance targets help define what successful achievement of an objective is, help measure progress towards achieving the objective, and aid in prioritizing objectives when an agency has limited resources and capacity.

Principle 3—Explain key risks

Reports should identify key strategic risks, explain how risks influence policy choices and performance expectations, and relate results achieved to the type and amount of risk accepted. An agency should describe how it formally identifies risks, analyzes and manages risks, and measures its success in reducing risks.

Finance's planning guidelines ask for a reference to any risk management activities undertaken by the agency. Finance undertook a pilot project with several agencies in 2006-07 to complete formal risk reduction assessments. Finance has set up an internal reporting process to help agencies determine strategies to reduce major risks for planning purposes. Because not all agencies have undertaken formal risk management assessments, the planning guideline does not require detailed disclosure. Finance's reporting guideline is limited to identifying the key risks that impact the agency's results.

Principle 4—Explain key capacity

Reports should explain key capacity issues influencing the agency's ability to improve results and meet expectations. Reports should focus on the significant strategic capacity and conclusions should be well supported by qualitative and quantitative information.

Discussions of capacity should outline an agency's infrastructure, computer and technological resources, human resources, and internal processes in the context of the agency's strategic goals. Where the capacity to meet future performance expectations is not in place, the report should discuss the agency's plans to build or acquire the needed capacity and address the risks associated with any imbalance.

Finance guidelines do not require agency reports to explain capacity issues. Integration of information on needed and available human resources, buildings and equipment, and financial resources are important to understanding capacity. In Saskatchewan, aging infrastructure and human resource issues commonly influence capacity to achieve results.

Principle 5—Explain other factors critical to performance

Economic, environmental, or demographic factors often affect an agency's performance and the performance or actions of organizations it uses to deliver services. Reports should identify and explain factors that are important to the agency's success. Also, reports should provide sufficient information to indicate how the agency manages or responds to those factors.

Finance requires agencies to identify major factors that affect performance and report how the agency responded. Agencies are also required to describe major changes to their governance structure.

Agencies are required to disclose the role of service delivery partners in achieving their objectives. Agencies are not required to disclose if service delivery partners have met their expectations.

Principle 6—Integrate financial and non-financial information

Performance reports need to describe the relationship between resources and results. Associating the cost with results enables agencies to demonstrate how their activities add value. Reports should demonstrate how short-term results contribute to longer-term outcomes for each business line or strategy.

Finance's guidelines require agencies to show a comparison between actual spending and their budget and to explain major differences by subvote as well as information on financial reallocations, causes of changing costs, and information on stakeholder consultations. The guidelines also require references to financial information for related entities, e.g., revolving funds.

Finance's guidelines require comments on the costs of other agencies or stakeholders who contribute significantly to the reported performance where these agencies are the responsibility of the Minister, e.g., regional health authorities.

The financial information is not in the same format as the non-financial performance information, i.e., not shown by goal or objective. Finance does not expect agencies to explain how the financial resources impacted the non-financial results. This type of information would help readers to relate costs and other resources to results.

Finance requires agencies to provide financial and non-financial performance information for selected priorities that the Government presents in the provincial *Budget and Performance Plan Summary* and the *Mid-Year Report*. To be fully consistent with CCAF, Finance should require this level of integration for the agencies' performance plans and annual reports.

Principle 7—Provide comparative information

Public performance reports should provide comparative information to enhance readers' ability to understand and use the information. Benchmarking against similar processes in similar organizations is one method of providing comparative information about key aspects of performance.

In 2007-08, Finance expects agency reports to show trends over three years. This will allow readers to review and analyze trend information. Trends make it clear to readers whether performance is stable, improving, or deteriorating. Finance encourages that agencies compare their performance results to similar agencies in other provinces where possible.

Principle 8—Present credible information, fairly interpreted

Performance reports should present relevant, unbiased, verifiable information that is understandable and balanced. This includes the characteristics of consistency, fairness, and reliability. Performance information that appears in more than one report (i.e., business plan and annual report) should be consistent. In addition, to demonstrate that performance reports are credible, the reports must include adequate qualitative and quantitative information to support management's explanations, interpretations, and judgments.

Finance's guidelines focus on consistency and understandability. Finance expects agencies' annual reports to describe actual results for key actions and performance measures as they are shown in the related performance plans. Finance recognizes that agencies may have mostly output measures, i.e., measuring the amount of activity. The guidelines are encouraging those agencies to consider suitable outcome measures, i.e., measuring the amount of achievement.

Finance expects the reports to provide concise information about all critical areas of performance, regardless of the results achieved. Measured information is to be presented consistently from one year to the next or a reason given for the change. Finance requires the reports to state the sources of information and any limitations to the data that explains performance.

Principle 9—Disclose the basis for reporting

Performance reports should explain the basis for selecting the critical aspects of performance that the report focuses on. Management needs to describe the steps it has taken to validate the information, and its limitations. An independent audit and report helps verify the information and judgments contained in the report.

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To help readers understand key areas of an agency's performance, reports should show links between each objective and the specific performance measures used to assess progress. Reports must explain how each selected measure is relevant.

As well, management must clearly define each measure. This enables readers to critically assess the methodologies used and compare results to previous periods or to other agencies. To enhance confidence in its reports, management needs to describe how it confirms accuracy including internal verification and the use of independent external parties such as auditors.

Finance wants agencies to explain changes in their vision, goals, objectives and measures. Agencies are required to explain how any new measures are good performance measures. Finance requires agencies to describe all performance measures, their relevance to the objective explained, and the data source given. Agencies are not required to describe how they are satisfied that the performance information is accurate. Finance does not require the agency to show information is credible such as having a reliable, independent party provided high level of assurance on the data (i.e., an audit).

Agencies are not required to include a statement identifying management's responsibilities for the content of the report.

Our conclusion and recommendation

Finance is working towards aligning its performance reporting guidelines with the CCAF principles. The guidelines address many of the CCAF principles. However, additional guidance is needed in the areas of setting targets, explaining key risks and key capacity, and the integration of financial and non-financial information.

Finance has not met its original implementation schedule of 2006-07 for its performance plans and annual reports guidelines. It no longer provides a road map explaining when guidelines will change. Advance notice of new reporting requirements is valuable to departments and Crown agencies that follow the guidelines. Advance notice gives guideline users time to plan for any needed changes to their systems so that required information will be readily available.

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9.   We recommend that the Department of Finance prepare an implementation schedule for bringing its *Public Performance Reporting Guidelines* in line with CCAF reporting principles.

Accountability framework – status of previous recommendations

Our 2004 Report – Volume 1, Chapter 9 emphasizes that every agency handling public money should use an accountability framework requiring public reports of results (p.126-135). That chapter recognized that the nature and capacity of agencies influences how they report to the public. In 2004, we recommended that the Government:

- direct all Treasury Board agencies to use an accountability framework that focuses on results
- require departments and Treasury Board agencies to publish their planned targets for major long-term results

On September 29, 2004, PAC agreed with these recommendations, as the capacity of agencies permits. This chapter explains responsibility for improving accountability by using various frameworks and describes action taken by the Government up to October 31, 2007 on these recommendations.

Responsibility for improving accountability

Government has two main oversight boards for over 270 agencies that handle public money (see Exhibit 4):

- The Crown Investments Corporation Board is responsible for the Crown Investment Corporation (CIC), its subsidiary corporations, and related pension plans. In this chapter, we refer to these agencies as CIC Crown agencies.
- Treasury Board is responsible for government departments and all other corporations, boards, commissions, and funds. In this chapter, we refer to these as Treasury Board agencies.

As of March 2007, Treasury Board was responsible for over 100 agencies or trust funds and 63 special purpose funds. Our 2004 recommendations are specific to Treasury Board agencies.

For accountability purposes, Treasury Board is responsible to direct the accountability framework used by over 100 agencies and trust funds. These include 22 departments or secretariats, over 20 related service delivery agencies (e.g., regional colleges, health authorities, legal aid, crop insurance), 41 other corporations and boards, and 7 pension funds. Finance and the Office of the Executive Council (Executive Council) are responsible to guide how these Treasury Board agencies manage and report their performance and to foster the importance of public accountability for results.

Exhibit 4 — Government's accountability structure
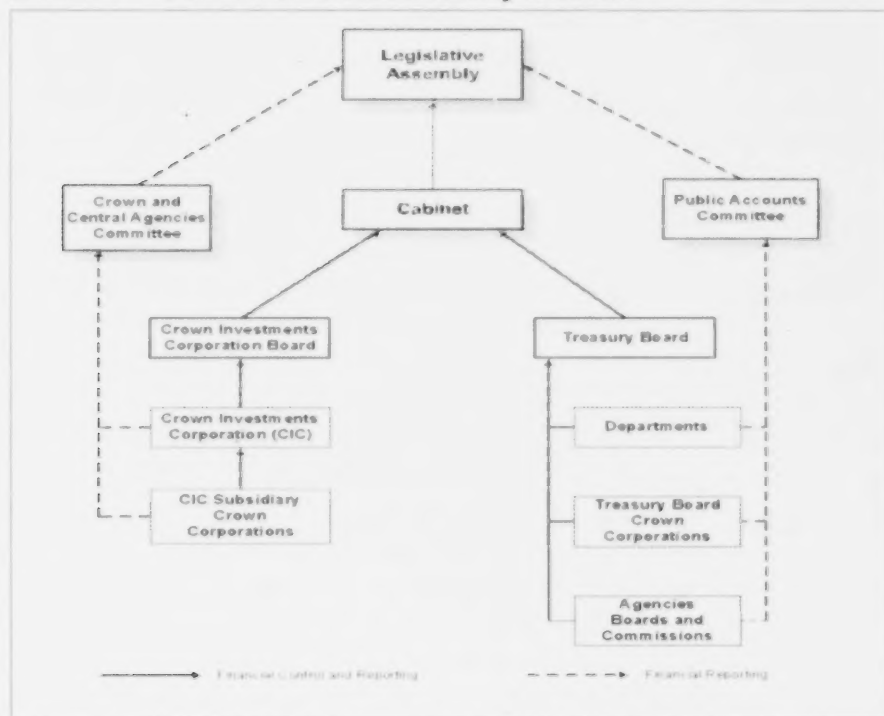
Source: p.8, 2007-2008 Saskatchewan Provincial Budget: Estimates

Action on recommendations—improving accountability

Directing agencies to use an accountability framework

Treasury Board agencies and CIC Crown agencies take different approaches to accountability but both use frameworks that focus on results. Since 1998, CIC has directed all CIC Crown agencies to use the "balanced scorecard" framework to manage and report on their

performance. Since 2002, Executive Council and Finance have directed government departments to use a "performance management" framework to promote accountability.[15] By 2005, all departments and three other agencies had adopted the performance management framework (i.e., Saskatchewan Communications Network, Saskatchewan Liquor and Gaming Authority, and Saskatchewan Watershed Authority). In addition, two cross-sector strategies use the performance management framework (i.e., KidsFirst, Safe Drinking Water Strategy).

Each spring, Finance and Executive Council jointly send the Call for Plans memo to government departments, two cross-government strategies, and a few agencies who receive money directly from the General Revenue Fund.[16] Also, each year, Finance provides department and selected agencies with Public Performance Reporting Guidelines. In this way, Finance directly advises about 25 agencies to use the performance management framework to enhance their accountability to the public.

For example, the 2008-09 Call for Plans memo went to 22 departments and secretariats, and four other agencies (i.e., Saskatchewan Liquor and Gaming Authority, Saskatchewan Communications Network, Saskatchewan Watershed Authority, and the Saskatchewan Research Council). This memo sets out clear direction about the planning process and highlights expected changes in the content of performance plans (e.g., actions in support of cross-departmental efforts such as the Green Strategy).

Finance and Executive Council expect departments to lead the Treasury Board agencies related to them. Key departments are to guide their related agencies towards the use of a suitable accountability framework that focuses on results. For example, the Department of Health expects regional health authorities "to know that management is achieving the

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[15] A copy of the framework is available at www.finance.gov.sk.ca/performance-planning/ (Accessed October 18, 2007).
[16] The Call for Plans memo sets out the expectations, timing, and review processes for the development and/or refinement of performance plans including goals, objectives, performance measures and key actions. Agencies then use these plans to guide and inform the preparation of budget requests. (Source Planning and Budget Cycle in www.finance.gov.sk.ca/performance-planning/ See Performance Plans - Related Documents: Overview of the Performance Plan Cycle (Accessed October 30, 2007).

expectations set and that management is taking action where results are not being achieved."[17]

As of October 2007, the majority of larger Treasury Board agencies use an accountability framework that focuses on results. Some use the performance management framework; others use the balanced scorecard (e.g., Workers' Compensation Board, Saskatchewan Gaming Corporation).

An important part of accountability is to make agency plans public before the fiscal year begins and to report progress toward achieving the plan within a reasonable time after the fiscal year-ends.

As of October 2007, almost all departments publish plans and annual reports. However, Executive Council had not made public its performance plan or annual report. Sometimes departments do not publish timely performance plans, primarily due to significant changes or reorganization within their department. For example, the Department of Advanced Education and Employment, created in April 2006, had not published a performance plan for 2007-08 by October 31, 2007.

Most large Treasury Board agencies have published plans and reports that included at least some focus on results. [18] Some agencies used an accountability framework internally, but did not make their plans public (e.g., the Saskatchewan Association of Health Organizations). A few others published plans without objectives that focus on results (e.g., the Saskatchewan Institute for Applied Science and Technology and the Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation). Some large agencies did not report results compared to their planned objectives in their annual reports (e.g., the Saskatchewan Research Council). [19]

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[17] Department of Health Accountability Document 2006-07 cover letter and pp.32-44.
[18] We have reported elsewhere on the planning and reporting practices of large pension and benefit plans in the Saskatchewan public sector.
[19] In October 2007, the Saskatchewan Research Council told us it plans to report its actual results compared to its planned targets beginning with its 2007-08 annual report.

Timely reporting of plans and results to the public strengthens internal management and public accountability. We expected that by October 2007, all large Treasury Board agencies would use a suitable accountability framework and have public plans and reports that focus o results. As noted above, a few did not. Through our audit work, we will monitor those agencies to determine whether they make public their pla and report their progress toward achieving their objectives.

Public targets for major long-term results

In 2004, we recommended that the Government require departments an Treasury Board agencies to publish their planned targets for major long-term results. Government agencies are more accountable when they make their targets public, particularly for major long-term results. All CIC Crown agencies report their progress toward targets in their public balanced scorecard reports.

Each year, Finance expects departments and three agencies to develop for internal use, a one-year target for each measure.[20] These internal targets help agencies gain experience in selecting reasonable targets ar achieving the targets they set.

For example, in its *Content Requirements for the 2008-09 Performance Plans*, Finance expects departments and the three agencies to "incorporate trend-line information for performance measures where available ...and if trend-line data is not available, explain the reason why".[21] Reporting these trends, or results over time, makes it possible to assess the pace of change achieved by the resources allocated. Thus, reporting trends helps estimate realistic targets for achieving objectives.

A number of large Treasury Board agencies published targets in 2007, f example:

- Department of Highways and Transportation
- Saskatchewan Liquor and Gaming
- Saskatchewan Gaming Corporation
- Workers' Compensation Board

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[20] Department of Finance *2008-09 Planning Guidelines—Detail*, p.22-23.
[21] Department of Finance *Content Requirements for 2008-09 Performance Plans*, p. 3.

Some of these public targets are short-term activity targets. Reporting progress toward activity targets (e.g.. kilometres of road paved/year) is a helpful step toward making public the agency's targets for major long-term results.

A few agencies make public their targets for major long-term outcomes. For example, the Workers' Compensation Board has this public target: "to reduce the rate of time-loss injuries to 3.5% per 100 full time workers by 2010".[22] Also. the Government published targets for some cross-government initiatives. For example, the Energy and Climate Change Plan includes outcome targets.

Neither Finance nor Executive Council has identified a date by which Treasury Board agencies must make public their targets for major results.

We compared Treasury Board and CIC requirements for publishing planned targets for major, long-term results. We note that as a part of the balanced scorecard, CIC requires CIC Crown agencies to make public (in their annual reports) their goals. objectives. key measures, and targets.

We continue to recommend that the Government require Treasury Board agencies to publish their planned targets for major long-term results.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter.[23]

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[22] Workers Compensation Board. Strategic and Operational Plan, p. 20.
[23] For the definitions of the key terms used in the table, see Chapter 25 – Standing Committee on Public Accounts pages 398 to 399.

PAC REPORT YEAR[24]	OUTSTANDING RECOMMENDATION	STATUS
Pension plans		
2002	PAC concurs: 8-1 that the Pension Plans should establish rules and procedures to ensure all retired members receiving a pension, who have returned to work for the Government, are paid in accordance with the law, or alternatively, the Pension Plans should seek changes to the law.	**Partially implemented** (for year-ends on or before March 31, 2007). Public Service Superannuation Plan and the Liquor Board Superannuation Plan did not have adequate rules and procedures to address this recommendation at the above date.
2007	PAC concurs: 5-1 that the Department of Finance should ensure it receives accurate reports for the claims paid for enhanced benefits of the Public Employees Dental Fund.	**Partially implemented** (as at December 31, 2006). Status will be followed up in December 2007 audit.
2007	PAC concurs: 5-2 that the Public Employees Pension Plan should prepare, approve, and test a complete disaster recovery plan.	**Partially implemented** (as at March 31, 2007). Some progress made in the year.
2007	PAC concurs: 5-3 that the Public Employees Pension Plan should document and approve all future changes to the computerized pension administration system.	**Not implemented** (as at March 31, 2005). Status will be followed up in 2008.
2007	PAC concurs: 5-4 that the Public Employees Pension Plan should document its risk assessments and action plans to reduce the risks to an acceptable level for the computerized pension administration system.	**Not implemented** (as at March 31, 2005). Status will be followed up in 2008.

[24] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

First Nations and Métis Relations

10

Main points

The Department of First Nations and Métis Relations (Department) administers certain aspects of the Agreement between the Government of Saskatchewan and the Federation of Saskatchewan Indian Nations (FSIN) over Gaming (commonly referred to as the Gaming Framework Agreement). For the year ended March 31, 2007, the Department paid $42.3 million to four community development corporations and the First Nation Trust (administered by FSIN). The Gaming Framework Agreement requires this money to be spent for specific purposes. The Department is charged with making certain that the First Nations Trust and the community development corporation use this money as the Agreement intends.

The Department's processes to monitor spending of the community development corporation are working. However, we continue to report concerns that the Department needs to better monitor spending of the First Nations Trust. Although the Department is entitled to and requests each year, it has not received from the Trust the necessary independent audit report on whether money the Trust receives is properly safeguarded and spent for the proper purposes. Without this report, the Department does not know if the Trust is spending money as required.

Also, the Department needs to complete its performance plan and human resource plan. These plans are important so that the Department can track and report on its progress, have better information to make decisions, and be more accountable.

Introduction

In this chapter, we provide a brief overview of the mandate and spending of the Department of First Nations and Métis Relations (Department) and set out the results of our 2007 audit of the Department. Also, we provide an update on a recommendation previously made by the Standing Committee on Public Accounts.

Background

The Department works with First Nations and Métis people and their organizations to advance common interests and improve social and economic outcomes of Aboriginal people. The Department's role is to provide leadership within the Provincial Government to help ensure First Nations and Métis priorities and issues are reflected in the Provincial Government's policies and programs. It also helps the Government to fulfill its obligations for treaty land entitlement.[1]

The Department's website contains its annual reports, performance plan, other key publications, agreements, and further information about its programs. It is located at www.fnmr.gov.sk.ca.

Related special purpose fund

The Department is responsible for the Métis Development Fund (also called Clarence Campeau Development Fund). The Fund has a December 31 year-end. Each year, the Fund gives the Legislative Assembly its annual audited financial statements. These are publicly available at www.gov.sk.ca/finance.[2]

Our 2007 Report – Volume 1 reported the results of our audit of the Métis Development Fund.

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[1] *2007–2008 Saskatchewan Provincial Budget Performance Plan: First Nations and Métis Relations.* Government of Saskatchewan, p. 2.
[2] The Fund's statements are included in the Compendium to the "Public Accounts Documents".

Overview of the Department's finances

For the year ended March 31, 2007, the Department had revenues of $0.25 million (2006 - $0.18 million). In addition, it spent $59.8 million (2006 – $48.3 million). The following lists its major programs and spending.

	Original Estimates[3]	Actual
	(in millions of dollars)	
Central management and services	$ 1.7	$ 1.7
Policy coordination and support for Aboriginal organizations	5.4	6.0
Treaty land entitlements	14.8	9.8
Gaming agreements	29.2	42.3
	$ 51.1	$ 59.8

The Department's 2006-07 Annual Report explains reasons for significant differences between its planned and actual revenues and expenses.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2007:

♦ the Department had adequate rules and procedures to safeguard public resources and comply with authorities governing its activities except for the matters reported in this chapter

♦ the Department complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter reported in this chapter

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[3] *Public Accounts 2006-2007; Estimates – First Nations and Métis Relations Vote 25, Government of Saskatchewan.*

Better monitoring of First Nations Trust spending needed

In our past reports, we reported that the Department needed to better monitor spending by the First Nations Trust[4] to ensure money it provides is spent as required by law. The Standing Committee on Public Accounts last discussed this matter on April 17, 2007.

Under the 2002 Gaming Framework Agreement between the Government and the Federation of Saskatchewan Indian Nations, the Department provides the First Nations Trust with money that must be spent only for the following purposes for First Nations and First Nations people: economic development, social programs, justice initiatives, education and education facilities, the development and operation of recreational facilities, senior and youth programs, cultural and spiritual development, the development and maintenance of community infrastructure, health initiatives, governance activities, Treaty protection, and any other charitable purpose.

In 2006-07, the Department provided $28.3 million (2005-06 – $22.5 million) to the First Nations Trust. Under the 2002 Gaming Framework Agreement, the Trustees are required to provide the Department with certain information each year.[5] The Department needs this information to determine whether the money it provided to the First Nations Trust is spent for the purposes intended.

As shown in Exhibit 1, the Department has never received key independent audit reports on whether the Trust is fulfilling the conditions of 2002 Gaming Framework Agreement. Audit reports would provide the Department with an independent assessment as to whether the Trust's processes operate properly and whether the Trust spends the money it receives from the Department as required by law. Without this key information, the Department does not know if the Trust is spending money as required by law.

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[4] The Federation of Saskatchewan Indian Nations set up the First Nations Trust in July 2003 and as a result its first year-end was March 31, 2004. The Trust is not subject to audit by the Provincial Auditor.
[5] Required reports include: audited financial statements, audit report on adequacy of processes and whether money is spent for required purposes, copies of management letters issued by the auditor of the First Nations Trust along with the Trust's response, and Trust's annual report.

Exhibit 1

	Received reports for Trust's year ending March 31, 2006[6]	Received reports for Trust's year ending March 31, 2005	Received reports for Trust's year ending March 31, 2004
An independent audit report on the following: • whether money received by the Trust has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the receipt and allocation of the money received by the Trust, and • the money expended by the Trust was for the purposes outlined in the agreement[7]	no the report received from the Trust auditor did not reach a conclusion on these matters	no the report received from the Trust auditor indicates that they could not reach a conclusion	no the report received from the Trust auditor indicates that they could not reach a conclusion

Furthermore, the Department has received information that suggests that the Trust may not have or may not be spending the money as required by law.

For example, in 2005, the Trust had advised the Department that the Trust did not have proper processes to allow the Trust to know if it was spending money properly and that it had plans to put in appropriate processes. In 2005-06, the Trust advised the Department of changes to its processes (i.e., it would require each First Nation that received money from the Trust (beneficiary) to engage its auditors each year to express an independent audit opinion on the appropriateness of its receipt and use of money received and whether it used the Trust money for the permitted purposes). The Trust further noted that it would withhold further money from beneficiaries that would not provide the required audit reports or whose reports noted matters of non-compliance.

The Trust advised the Department that, at September 23 2006, audit reports for the year ended March 31, 2006 submitted by 60 of the 75 beneficiaries reported compliance and the remaining 15 beneficiaries had not submitted the required audit reports. Because the Trust did not receive audit reports from the remaining beneficiaries, it could not know if these beneficiaries spent money it provided as required by law.

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[6] First Nations Trust reports for the year ending March 31, 2007 were not available at August 2007 as these reports were not yet due to be submitted to the Department.
[7] 2002 Gaming Framework Agreement between the Government and the Federation of Saskatchewan Indian Nations, section 5.01

In another example, in 2005, certain members and the then council of a First Nation entered a Statement of Claim[8] against the Trust alleging it made payments to a certain individual for purposes other than those specified under the 2002 Gaming Framework Agreement. The Department was aware that this First Nation received money from the Trust in 2005-06 and had not provided the Trust with the required audit report for the year ended March 31, 2006. The Department was also aware that the Trust was withholding money from this First Nation until it submitted the required audit report. At August 2007, the Department had not determined the validity of the claim. No further legal action was taken on this claim as at August 2007. As our Office does not have access to the books and records of the Trust or the related First Nation, we could not examine the transactions in question.

The Department has continued to work with the Trust to encourage timely correction of problems. It has also worked directly with the Trust to help the Trust better understand its role and information needs, and to identify ways to improve the quality and timeliness of information the Trust must provide the Department. However, unlike Trust's process with its beneficiaries, the Department's process did not set out the Department's expected actions in situations where the Department does not receive required audit reports from the Trust or where audit reports note matters of non-compliance.

1.   We recommend that the Department of First Nations and Métis Relations:

  • require the First Nations Trust to submit, each year by an agreed upon date, an independent audit report on the following:

    – whether money received by the Trust has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the receipt and allocation of money received by the Trust

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[8] Statement of Claim issued at Queen's Bench Judicial Center of Regina (Q.B.G. No. 1106 of 2005) on March 16, 2005.

whether the money expended by the Trust was
for the purposes required by the applicable
Agreement

● withhold (whole or in part) money due to the Trust
until the Department receives required audit reports
or, where an audit report notes matters of non-
compliance, until the Trust takes appropriate
corrective action

Improvements to human resource plan needed

The Department needs to improve its human resource plan to ensure it
has the right people, in the right jobs, when needed.

Chapter 19 of our 2006 Report – Volume 3 reports that the Department
did not have a human resource plan and recommended that the
Department prepare a human resource plan. The Standing Committee on
Public Accounts agreed with that recommendation on April 17, 2007. In
2006-07, the Department developed its *Human Resource Plan 2007-08*
(HR plan). We assessed the HR plan against the key elements of a good
human resource plan as set out in the exhibit 2.

Exhibit 2

A good human resource plan would:
● set out priorities and human resource needs and should link to the
strategic direction of the Department
● identify key human resource risks and competency gaps in current
resources
● set out strategies and implementation plans to bridge competency gaps

We found that the Department's HR plan set out priorities and human
resource needs linked to its strategic direction and described human
resource risks, key human resource risks, general gaps in current
resources, and strategies to address human resource risks. However,
the HR plan did not adequately quantify its gaps in the current
resources (e.g., number and types of positions with required
knowledge and skills needed over mid to long term), or set out details
for its strategies (e.g., assign timeframe or responsibility for

implementation and set out financial resources necessary for implementation).

2.   We recommend the Department of First Nations and Métis Relations' human resource plan more clearly outline gaps in current resources (e.g., number and types of positions) and provide details on plans to implement strategies to meet human resource needs (including timeframes, responsibilities, and financial resources).

Complete performance planning and reporting needed

Our 2006 Report – Volume 3 reports that the Department needs to complete the development of its performance plan including the identification of measures and selection of performance targets related to its goals and objectives. Having a complete plan is necessary so that the Department can report on its progress towards achievement of its objectives in its annual report.

During 2006-07, the Department worked on developing performance measures and making other improvements to its performance plan. The Department's 2007-08 Performance Plan includes performance measures for three of the four objectives that did not previously have measures. The plan notes that the Department has not yet developed performance measures for one of its eight objectives. In addition, the Department had not set targets for its performance measures.

We continue to recommend the Department complete the development of its performance plan including the identification of measures and selection of performance targets related to its goals and objectives.

The Standing Committee on Public Accounts agreed with the above recommendation on April 17, 2007.

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Health

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Main points

Part A of this chapter sets out the results of our audits of the Department of Health (Health) and its Crown agencies. Health needs better reports from health agencies it contracted to provide health services. This would enable Health to monitor their progress in achieving Health's objectives. Health does not have a capital asset plan to manage its $980 million investment in capital assets (e.g., land, buildings, and equipment). It needs a written, tested, and approved business continuity plan to help ensure that it can continue to provide critical services in the event of a disaster.

Also, the Saskatchewan Cancer Agency needs to strengthen the preparation, approval, and implementation of information technology processes to ensure the confidentiality, integrity, and availability of information systems and data.

In addition, the Saskatchewan Association of Health Organizations (SAHO) needs to regularly update its accounting records for its administered benefit plans and approve all bank reconciliations. SAHO should use interim financial reports to monitor its administered benefit plans.

Part B sets out six financial measures to help the Legislative Assembly and the public to assess the sustainability of health spending. A sound understanding of health spending is important for an informed debate about the affordability of programs and services and the maintenance of Saskatchewan's health care infrastructure.

Part C describes the results of the audits of the 12 Regional Health Authorities (RHAs). Boards of directors of the RHAs need to improve how they safeguard public resources and comply with the law. For example, they need to strengthen their information technology processes to ensure the confidentiality, integrity, and availability of information systems and data.

In Part D, we note that up to 11% of Canadian patients get an infection while in hospital, thus increasing costs and the risk of complications. In 2007, Sunrise RHA had adequate processes to manage hospital-acquired

infections except for its processes to plan for the prevention of infections and report the rate and causes of infections.

Part E describes how well the Sun Country RHA does inspections in 350 public eating establishments (e.g., restaurants) to protect the public from food borne illnesses. Those inspections are governed by *The Public Health Act, 1994* and related authorities. The RHA complied with the provisions of the above authorities for the year ended March 31, 2007 except it did not always do follow-up inspections within the required timeframes where it had found food safety concerns in eating establishments.

Part F reports that the Health Information Solutions Centre of the Department of Health (HISC) did not have adequate controls to protect the confidentiality, integrity, and availability of client information technology systems and data. HISC provides many information technology systems that RHAs and other health agencies use to provide health services such as surgeries, drugs, and lab tests.

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Introduction

The mandate of the Department of Health (Health) is to provide leadership in defining and implementing a vision for health and healthy living, and a framework for health systems. The Department assesses, promotes and protects the health and well-being of the Saskatchewan population and ensures provision of essential and appropriate services to Saskatchewan residents. The Department carries out this mandate by working with a variety of partners, including regional health authorities and the Saskatchewan Cancer Agency.[1]

Government spending on health

For the year ended March 31, 2007, Health received $3.2 billion from the General Revenue Fund for its programs. Health also received other revenue of $14.5 million from provincial laboratory services, federal government grants, etc. Health's annual report contains information about its revenues and expenses (see www.health.gov.sk.ca/).

Table 1 shows total health sector[2] revenues of $3.5 billion by source for the year ended March 31, 2007. Table 2 shows total health sector costs of $3.4 billion by program for the year ended March 31, 2007. The costs in Table 2 do not include health services paid directly by the Federal Government, nor the costs that individuals and private sector organizations pay directly for health services.

Table 1

Total Health Sector Revenues by Source for the years ended March 31
(in millions of dollars)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Revenue Fund	$ 3,203	$ 2,991	$ 2,774	$ 2,516	$ 2,343	$2,200	$ 2,076	$ 1,956	$1,789	$1,677
Service fees revenue	143	136	126	121	113	110	109	99	97	99
Transfers from other governments	20	28	26	28	18	28	23	21	21	19
Ancillary revenue	19	19	17	26	22	20	18	17	16	15
Donations	17	19	16	15	18	15	17	12	16	15
Investment income	8	5	4	5	7	9	11	11	9	9
Other	91	86	74	59	69	43	38	43	55	28
Total revenues	$ 3,501	$ 3,284	$ 3,037	$ 2,770	$ 2,590	$2,425	$ 2,292	$ 2,159	$2,003	$1,862

[1] Saskatchewan Finance, *Saskatchewan Provincial Budget Estimates for the fiscal year ending March 31, 2007*
[2] The health sector includes the Department of Health, regional health authorities, and other Crown agencies.

Table 2

Total Health Sector Costs by Program for the years ended March 31
(in millions of dollars)

	2007	2006	2005	2004*	2003*	2002*	2001*	2000*	1999*	1998*
Acute Services	$ 1,293	$ 1,259	$ 1,169	$1,063	$ 963	$ 900	$ 824	$ 797	$ 683	$ 627
Supportive care services	673	634	585	554	512	507	482	447	417	389
Medical services and education	585	533	496	455	446	421	401	384	392	384
Community care services	329	314	286	277	305	276	252	235	218	205
Prescription drugs	246	229	212	194	173	156	141	128	115	98
Provincial health services	205	190	175	162	144	136	122	102	97	92
Central Support Services	49	50	44	46	23	21	16	32	22	22
Other	31	30	26	34	44	60	43	38	39	23
Total costs	$ 3,411**	$ 3,239	$ 2,993	$ 2,785	$ 2,610	$ 2,477	$2,281	$2,163	$1,983	$1,840

Source: *Public Accounts: Volume 2: Details of Revenue and Expenditure* (see www.finance.gov.sk.ca/public-accounts) and the March 31, 2007 financial statements of the RHAs and other government health agencies.

* Total health sector costs by program have been reclassified and restated to conform with Health's current expense categories.

** The Government's summary financial statements for the year ended March 31, 2007 show health costs of $3,379 million, a difference of $32 million from the total health sector costs in Table 2. This difference is due to inter-entity expense eliminations and adjustments within the summary financial statements not recorded in the health costs in Table 2.

We discuss health spending in the province in more detail in Part B of this chapter.

Crown agencies

Health is responsible for the following Crown agencies.

Year-end March 31
12 Regional Health Authorities
Board of Governors, Uranium City Hospital
Health Quality Council
North Sask. Laundry & Support Services Ltd.
Saskatchewan Association of Health Organizations (SAHO)
Saskatchewan Cancer Agency
Saskatchewan Health Information Network
Saskatchewan Health Research Foundation
Saskatchewan Impaired Driver Treatment Centre Board of Governors
        (formerly St. Louis Alcoholism Rehabilitation Centre)

Year-end December 31
SAHO Disability Income Plan – C.U.P.E.
SAHO Disability Income Plan – S.E.I.U.
SAHO Disability Income Plan – S.U.N.
SAHO Disability Income Plan – General
SAHO Core Dental Plan
SAHO In-Scope Extended Health/Enhanced Dental Plan
SAHO Out-of-Scope Extended Health/Enhanced Dental Plan
SAHO Group Life Insurance Plan
SAHO Master Trust Combined Investment Fund

Our audit conclusions and findings

Our 2007 Report – Volume 1 reported that we had not completed the audit of the SAHO benefit plans' financial statements for the year ended December 31, 2006. We have now completed those audits.

We have completed the audits of Health and the Crown agencies listed earlier. Our audit opinions below include the results of Health and its agencies other than our audits of the 12 regional health authorities. The results of these audits are reported in Part C—Regional Health Authorities of this chapter.

In our opinion, for the year ended on or before March 31, 2007:

- Health and its agencies had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter

- Health and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter

- the financial statements for the agencies listed earlier are reliable

Our Office worked with Meyers Norris Penny LLP (MNP), the appointed auditor for North Sask. Laundry & Support Services Ltd (NSL&SS). We

followed the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors.*[1] MNP and our Office formed the opinions referred to above on NSL&SS.

The chapter provides an update on recommendations previously made by the Standing Committee on Public Accounts that are not yet implemented.

The following sections set out our detailed findings.

Findings – Department

Monitoring performance needs improvement

Health must ensure that agencies contracted to provide health services are achieving Health's objectives. To do this, Health needs to supervise the performance of these agencies. However, it does not receive and review financial and operational performance reports from contracted health agencies on a timely basis.

Health paid $150 million to contracted health agencies and the University of Saskatchewan for health-related services such as medical education, northern health services, and addictions counselling.

Health makes annual service agreements with the agencies to deliver services on its behalf. Service agreements require the agencies to provide Health with quarterly and annual financial reports including a comparison of actual to budget and an explanation of differences. The service agreements also specify the dates Health is to receive the reports. Some service agreements also require quarterly operational performance reporting.

Many agencies did not provide the required information on time. We examined the agencies annual information (annual reports and audited financial statements) for the year ended March 31, 2006 and the agencies' quarterly financial and operational reports, where applicable, up to December 31, 2006. We found that the agencies submitted 50% of the annual information and 54% of the quarterly information late or not at all.

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[1] To view a copy of this report, see our website at www.auditor.sk.ca/rrd.html

Late reports, and consequently, late reviews of financial and operational reports could result in Health not taking timely corrective action. Because Health did not adequately follow its rules and procedures, it did not know on a timely basis if the money it gave to health agencies was used for the intended purposes.

1.   We recommend that the Department of Health:

- obtain timely and complete performance information from health agencies
- review the information to ensure that public money is used for the intended purposes.

Control of capital assets needs improvement

Health uses over $980 million of capital assets to deliver health care.

Control of capital assets

Health needs a capital asset plan to deliver essential health services effectively, efficiently, and economically.

Capital assets include buildings and equipment. A capital asset plan would document decisions intended to help ensure that Health has the capital assets required to deliver its services. A capital asset plan would help Health select the capital assets that have the best value and keep them in good working order.

Without a capital asset plan, Health risks not having adequate capital assets to deliver essential health services.

We reported this matter in 2002 and subsequent years. In June 2004, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

We continue to recommend that the Department of Health develop a capital asset plan to help ensure that it can carry out its strategic plan.

In 2007, Health told PAC it has contracted for an inventory of RHA health facilities including an assessment of their condition to determine the

appropriate level of investment and reinvestment in health facilities needed prior to finalizing a capital asset plan.

Capital construction process needed

Health does not have an established process to monitor capital construction grants provided to non-related parties (i.e., private sector agencies).

In March 2007, Health, through the Saskatoon Regional Health Authority, provided $8 million to a private sector agency for an integrated community health centre in Saskatoon. The private sector agency will construct and own the facility.

Health has an established process for managing construction projects owned by the Government. The process covers each project from initial needs assessment and design development to construction and post-occupancy evaluation. Agreements with regional health authorities and other provincial health agencies cover the various phases of construction. Health monitors each project and approves each phase of the project before authorizing the agency to begin the next phase. When a phase is complete, Health pays for that phase.

Health does not have an equivalent process for monitoring capital construction grants to private sector agencies for privately-owned facilities. This increases the risk that the private sector agency will not design and construct the facility for the purposes Health intended.

2.   We recommend that the Department of Health establish processes to monitor capital construction grants provided to private sector agencies.

Verification of pharmacist services not performed

Health pays $200 million a year to pharmacists to subsidize residents with low incomes, high drug costs, or with special needs for prescription drugs. Health does not have a process to verify that residents received the prescriptions that pharmacists claim they provided. Health needs processes to:

- deter pharmacists from billing Health inappropriately

- identify pharmacists who are inappropriately billing Health

- identify, for recovery purposes, inappropriate billings

Without a process to verify that prescriptions were provided, Health may be paying for inappropriate claims.

We reported this matter in 2006. In June 2007, PAC agreed with our recommendation.

We continue to recommend that the Department of Health implement a process to verify that residents received the prescription drugs the pharmacists claimed for payment.

Better control over employees' pay needed

Health needs to better control employees' pay.

During the year, Health reviewed its payroll costs during its review of monthly financial reports. However, Health did not adequately review the accuracy of key payroll data for each pay period prior to paying employees. As a result, employees' pay has not been approved in accordance with The Financial Administration Act, 1993.

This weakness increases the risk that employees may be paid incorrect amounts.

3.   We recommend that the Department of Health adequately review the payroll for accuracy prior to paying its employees to ensure that all employees' pay is approved in accordance with The Financial Administration Act, 1993.

Internal audit needs strengthening

Health needs to ensure its internal auditor provides information on the effectiveness of Health's processes to safeguard public resources and that its revenues and expenses comply with the law.

Health needs to focus the work of the internal auditor on activities where Health is at greatest risk of loss of public money or spending money for unintended purposes. A risk-based audit plan would help Health assess if its processes are adequate. Health has not yet asked its internal auditor to prepare a risk-based audit plan for approval.

We reported this matter in 2005 and 2006. PAC agreed with our recommendation in March 2006.

We continue to recommend that the Department of Health focus the work of its internal auditor on the activities where it is at greatest risk of loss of public money or spending money for other than intended purposes.

Controls over Provincial Laboratory revenue needed

Health does not have adequate processes to track and collect fees for work done by the Provincial Laboratory (Lab). The Lab is a branch of Health. In 2006-07, it collected about $1.1 million in fees.

Part of the Lab's services is water quality tests for which it collects fees. The revenue the Lab earns from this work goes to the General Revenue Fund. A properly functioning revenue invoicing and collection system is necessary to accurately track the tests performed, record the services invoiced and the receipts collected, and provide periodic monitoring reports.

Health does not have adequate controls over the revenue invoicing and collection system. The current system does not adequately segregate duties, and access to the computer system is not adequately restricted to only authorized users. These weaknesses allows staff to alter or delete records without detection increasing the risk of loss of public money due to error or fraud. We are unable to determine how much revenue, if any, the Lab earned but did not collect, because we do not know if any records have been altered or deleted.

We reported this matter in 2006. In June 2007, PAC agreed with our recommendation.

We continue to recommend that the Department of Health establish adequate processes to ensure revenue earned by the Provincial Laboratory is collected and paid into the General Revenue Fund.

In 2006-07, Health had personnel from the Department of Finance review the Lab's revenue system. Finance made a number of recommendations but Health has not yet implemented all the recommendations. Health is also making changes to the computer system to allow for better segregation of duties.

Salary overpayments made

In 1999, Health, the RHAs, and the three unions representing support healthcare workers agreed to undertake a job evaluation plan to address equal pay for work of equal value and pay equity. In 2004, all evaluations had been completed and the process of reconsiderations was begun. Reconsideration is the process where either the employee or the employer could appeal to a committee to have a job evaluation reconsidered. Reconsiderations resulted in some jobs being re-evaluated to higher or lower rates of pay. On average, reconsiderations to date have had a downward salary impact on 8% of initial job classifications.

In May 2004, Health directed the RHAs to pay all employees additional wages owed based on the initial evaluations, even if the final wage rates were not set due to the reconsideration process. Employees affected by the reconsideration process were told that they could take the additional wages but would be expected to pay them back if their positions were settled at a lower wage rate. The unions agreed to this condition. Not all employees chose to take the additional money prior to the final settlement.

At March 31, 2006, the RHAs had overpaid as much as $4 million for wages due to job evaluations because of the average downward impact of the reconsideration process. Health did not have an agreed-upon process to collect back overpaid wages when it made the decision to pay employees before the appeal process was finished.

Health and the RHAs began to collect the overpayments. However, a Labour Relations Board ruling disallowed the collection process and the RHAs returned the overpayments to the employees.

Because Health has not yet established an agreed-upon collection process, it and the RHAs may not be able to collect all the overpayments. This may result in a loss of about $4 million of public money.

We reported this matter in 2006. In June 2007, PAC agreed with our recommendation.

We continue to recommend that the Department of Health and Regional Health Authorities collect the overpayments resulting from the reconsideration of joint job evaluations.

Health told us it is waiting for a further ruling from the Labour Relations Board on how the RHAs can collect this money. The Board plans to consider this matter in March 2008.

Information technology security needs strengthening

Health needs to strengthen its security policies and procedures to ensure the confidentiality, integrity, and availability of information systems and data.

Information technology (IT) security policies and procedures help ensure the confidentiality, privacy, integrity, and availability of information systems and data. Health's information system contains sensitive data including personal health information of Saskatchewan's residents.

Health began amalgamating its IT services into one branch referred to as the Health Information Solutions Centre. We assessed whether the Health Information Solutions Centre had adequate controls to protect the confidentiality, integrity, and availability of client information technology systems and data for the period March 1, 2007 to August 31, 2007.

We determined that Health's security policies and procedures were not adequate. We report the results of this audit in Part F of this chapter.

Business continuity plan required

Health needs a written, tested, and approved business continuity plan[4] (BCP) to help ensure that it can continue to provide critical services in the event of a disaster.

Health has documented some parts of a BCP. Health has an approved Business Continuity Planning policy. Health has assessed and prioritized its critical business functions. It has also set up a process to ensure that the BCP covers all the key components including emergency procedures, coordination with other agencies, communication, training, and testing. Also, senior management has approved a governance structure to specify the branches and agencies that will need to be involved in Health's business continuity planning processes. The governance structure sets out the accountability and communication relationships.

Health has not yet developed or documented all of the key components of a business continuity plan.

We reported this matter in 2005 and 2006. In March 2006, PAC agreed with our recommendation.

We continue to recommend that the Department of Health prepare a complete business continuity plan.

Human resource plan needs improvement

Health needs to improve its human resource plan. Effective human resource planning would help Health to have the right people, in the right jobs, at the right time.

Health has a human resource plan for its employees for 2007-2008. We assessed this plan against the key elements of a human resource plan.

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[4]**Business Continuity Plan** (BCP)—Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

Disaster Recovery Plan (DRP)—Plan by an organization to respond to unforeseen incidents, accidents and disasters that could affect the normal operation of a computerized system (also known as a **Contingency Plan**). A DRP or contingency plan is only one component of the Business Continuity Plan.

A good human resource plan sets priorities and links to the agency's overall strategic direction. It also identifies key human resource risks and gaps that exist in current and future available resources. The plan should also set out strategies and implementation plans to address human resource risks and gaps.

Health's human resource plan sets priorities and identifies key human resource risks. The plan provides some details on gaps that exist between required and actual resources. It does not, however, quantify future human resource needs. The plan sets out strategies and broad action plans but does not give deadline dates. Half of the strategies have measurable indicators and targets.

We reported this matter in 2006. In June 2007, PAC agreed with our recommendation.

We continue to recommend that the Department of Health human resource plan:

♦ quantify its human resources needs

♦ provide measurable indicators and targets for all strategies

Findings – Saskatchewan Cancer Foundation

The Saskatchewan Cancer Agency (Agency) (formerly the Saskatchewan Cancer Foundation) provides treatment, supportive care, research, education, prevention, and early detection programs for the control of cancer in Saskatchewan. It had revenues of $77 million in 2007 and held assets of $53 million at March 31, 2007.

Information technology processes need to be strengthened

The Agency needs to strengthen the preparation, approval, and implementation of information technology (IT) processes to ensure the confidentiality, privacy, integrity and availability of information systems and data.

IT processes help ensure vital information is protected, accurate, complete, authorized, and available. IT processes should be based on a formal threat and risk analysis. A threat and risk analysis would allow management to identify the processes it needs to protect systems and data. After identifying all processes needed to protect systems and data, agencies must implement the processes.

During the year, the Agency substantially completed a formal threat and risk analysis. The Agency still needs to implement processes to address recommendations resulting from the analysis.

The Agency has implemented some IT processes based on strong industry practices. For example, the Agency has defined how it grants or removes access to its systems. Also, the Agency has processes for making changes to the systems.

Without adequate IT processes, the Agency risks the unauthorized disclosure of confidential information, reliance on incomplete and inaccurate information, and the loss of vital information.

We reported this matter in a previous report. In March 2006, PAC agreed with our recommendation.

We continue to recommend that the Saskatchewan Cancer Agency strengthen the preparation, approval and implementation of information technology processes for its information systems that are based on a formal threat and risk analysis.

Findings – Saskatchewan Association of Health Organizations

The purpose of Saskatchewan Association of Health Organizations (SAHO) is to provide leadership, support, and services that will assist its membership in effectively delivering a comprehensive range of health services to the people of Saskatchewan. Services SAHO provides to its members include communications and advocacy, collective bargaining, human resources, payroll, materials management, workplace health and safety, and education. Its members are various healthcare providers within the province. The largest members are the regional health authorities (RHAs).

SAHO also provides administrative services for various employee benefit plans used by its members. The employee benefit plans include disability income plans, dental plans, extended health plans, and life insurance plans. SAHO is the central policyholder of the dental, extended health, and life insurance plans and the administrator of the four disability income plans on behalf of its membership and the applicable unions.

For the year ended March 31, 2007, SAHO had total revenues of $15.4 million, total expenses of $15.3 million, an annual operating surplus of $0.1 million, and held assets of $12.4 million.

The SAHO Master Trust Combined Investment Fund holds the SAHO disability income plans' investments. For the year ended December 31, 2006, this fund had investment income of $9.1 million and held net assets of $91.7 million.

For the year ended December 31, 2006, the SAHO benefit plans had the following financial results:

	Revenue	Expense	Assets	Liabilities	Net Assets (Deficit)
		(In 000's of dollars)			
SAHO Disability Income Plan – C.U.P.E.	11,036	11,965	22,709	24,059	(1,350)
SAHO Disability Income Plan – S.E.I.U.	10,369	8,538	26,762	18,967	7,795
SAHO Disability Income Plan – General	8,306	5,246	25,132	20,941	4,191
SAHO Disability Income Plan – S.U.N.	7,285	8,575	20,406	25,972	(5,566)
SAHO Core Dental Plan	13,112	15,204	5,789	1,680	4,109
SAHO In-Scope Extended Health/Enhanced Dental Plan	33,847	25,914	25,799	2,520	23,279
SAHO Out-of-Scope Extended Health/ Enhanced Dental Plan	4,024	3,112	1,237	1,040	197
SAHO Group Life Insurance Plan	9,594	8,177	10,222	17,358	(7,136)

Financial reports for administered benefit plans needed

SAHO needs to update its accounting records (i.e., general ledger) for the administered benefit plans on a timely basis. SAHO then needs to prepare and review interim financial reports for the plans.

As the administrator or policyholder of each of the benefit plans, SAHO is responsible for monitoring the finances of each plan on behalf of the plans' members. SAHO uses various reports on expenses, contributions, and investments to monitor the operation of the plans. Annually, it also reviews audited financial statements for each plan.

SAHO does not prepare and review interim financial reports for the benefit plans to obtain a complete financial picture during the year. This increases the risk that SAHO could make inappropriate decisions resulting in financial loss to the plans (e.g., poor return on assets, insufficient contribution rates, or undetected unauthorized expenses).

To prepare timely reliable financial reports, SAHO needs to record the financial activities of its benefit plans each month. For 2006, SAHO did not do so until several months after year-end. This increases the risk of inappropriate decisions.

We reported these matters in our 2007 Report – Volume 1. In June 2007, PAC agreed with our recommendations.

We continue to recommend that Saskatchewan Association of Health Organizations regularly update its accounting records for its administered benefit plans.

We continue to recommend that Saskatchewan Association of Health Organizations use interim financial reports to monitor its administered benefit plans.

Approval of reconciliations and adjustments to accounting records

SAHO's processes require employees to agree (i.e., reconcile) its recorded bank balances (i.e., general ledger) to the bank's records each month to know that all transactions are recorded properly. For this process to work effectively, reconciliations must be timely and reviewed and approved. As stated above, SAHO did not prepare the accounting records for its administered benefit plans until several months after year-end. Therefore, for all months in 2006, the bank's records for the employee benefit plans could not be reconciled to the recorded bank

balances until after the December 31, 2006 year-end. This increases the risk that a loss due to fraud or error could be concealed.

We reported this matter in our 2007 Report – Volume 1. In June 2007, PAC agreed with our recommendations.

We continue to recommend that Saskatchewan Association of Health Organizations review and approve all bank reconciliations.

Approval of payments

The Provincial Employment Strategy Committee (Committee) was established under collective agreement between the Canadian Union of Public Employees (C.U.P.E.) and SAHO on behalf of the Government of Saskatchewan.

SAHO provides administrative services to the Committee. SAHO collects money and pays expenses for the Committee. During 2006-07, SAHO paid about $800,000 (unaudited) for the Committee. SAHO holds about $2 million (unaudited) of the Committee's money in separate accounts on behalf of the Committee.

SAHO has a policy that two of three authorized persons will approve and sign cheques. Part of this process includes the review of adequate support (i.e., original records) for these cheques. SAHO applies this policy when processing cheques for the Committee.

We found that SAHO did not review adequate support for the cheques it processed for the Committee. By not obtaining and reviewing adequate support for payments made on behalf of the Committee, SAHO is at risk of spending resources for unauthorized purposes.

Because SAHO has not obtained and reviewed adequate support, SAHO does not know that payments made on behalf of the Committee are appropriate. Therefore, we are unable to determine if payments made on behalf of the Committee are appropriate and have been unable to · complete our audit of the schedule of expenses of the Committee. We have informed SAHO's management that we will complete our audit when it has obtained and reviewed adequate support to determine whether payments made on behalf of the Committee are appropriate.

4. We recommend that Saskatchewan Association of Health Organizations follow its policy that payments have adequate support when making payments for the Provincial Employment Strategy Committee.

Furthermore, SAHO does not have a written service agreement with the Committee setting out each party's role.

The service agreement with the Committee should:

*   Describe the authority and responsibility of SAHO and the Committee.

*   Describe the services to be provided and the Committee's service-level objectives.

*   Describe the privacy and security objectives.

*   Describe the basis for paying for those services.

5. We recommend that Saskatchewan Association of Health Organizations make a service agreement with the Provincial Employment Strategy Committee for the services SAHO provides.

Findings – North Sask. Laundry & Support Services Ltd.

North Sask. Laundry & Support Services Ltd. (NSL&SS) is a wholly owned subsidiary of four Regional Health Authorities (Prince Albert Parkland, Prairie North, Kelsey Trail, and Mamawetan Churchill River). NSL&SS provides laundry services to various health authorities in northern Saskatchewan.

For the year ended March 31, 2007, NSL&SS had total expenses of $3.9 million, an annual operating surplus of $0.9 million, and held assets of $3.7 million.

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Revenue reconciliation needed

NSL&SS needs to ensure that it bills clients for all laundry services provided.

NSL&SS does not reconcile the revenue it bills clients to amounts of laundry shipped to its clients. Without this reconciliation, NSL&SS cannot ensure that all laundry processed has been appropriately billed.

6.   We recommend that the North Sask. Laundry & Support Services Ltd. have processes to bill for all laundry services.

Public reports on health infrastructure—a follow-up

Background

Health sector infrastructure (e.g., hospitals, care homes) is essential for the delivery of health services to the public. In Saskatchewan, the Government uses over $2 billion (original cost) in health sector infrastructure and spends significant resources each year to buy, improve, operate, and maintain it. Infrastructure includes property, buildings, and equipment.

In 2006, we audited the adequacy of the written information that Health and its other agencies (e.g., regional health authorities) publish about key infrastructure used to provide public services.

Our 2006 Report – Volume 1, Chapter 2 described the status of the health system's public information on infrastructure. In that Report, we recommended that the Department of Health and other health agencies:

♦   publish adequate information about the *condition* and potential volume of services in their facilities and key equipment

♦   publish performance measures, targets and *results* that show the extent to which the use of their key infrastructure achieved their operational and financial plans

- publish adequate information about the strategies used to manage major *risks* facing their infrastructure and their actions to reduce those risks to an acceptable level.

In October 2006, PAC agreed with our recommendations.

Progress in reporting health infrastructure

We followed up on our recommendations in August 2007. Health has set guidelines and has begun to collect the necessary data to address the three recommendations we made in 2006.

In its *2006-07 Annual Report Guidelines*, Health set out how it expects regional health authorities and the Saskatchewan Cancer Agency to report on their infrastructure. The guidelines cover the reporting requirements of all of our recommendations.

Also in 2007, Health contracted for an inventory of RHA health facilities including an assessment of their condition. This review should provide a standardized assessment of the facilities. This information will provide a baseline for reporting on the capacity of health infrastructure.

In 2006-07, the RHAs did not have the information necessary to report on their infrastructure. Many of their 2006-07 annual reports indicate that RHAs are planning to identify performance measures and targets related to capital infrastructure to facilitate future reports to the public.

We will assess their further progress in a future report.

We continue to make the three recommendations noted earlier.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by PAC that are not yet implemented and are not discussed earlier in this chapter[5].

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[5] For the definitions of the key terms used in the table, see Chapter 25 – Standing Committee on Public Accounts pages 398 to 399.

PAC REPORT YEAR[6]	OUTSTANDING RECOMMENDATION	STATUS
Department of Health		
2002	**CR5.** The Standing Committee on Public Accounts recommends that the Department of Health continue to develop, as one component of resource allocation, processes that involve stakeholders and experts to identify and communicate priority health needs for the province, and health status objectives for the long term (e.g. 10 years or more) for the highest provincial health needs.	**Partially implemented** (as at March 31, 2007). The Department has determined priority health needs but needs to set specific health status objectives.
2002	PAC concurs: 1E-2 that the Department of Health should monitor and report the impact of resource allocation on the achievement of provincial objectives for service delivery and for health status.	**Partially implemented** (as at March 31, 2006). The Department has increased its capacity to monitor and report on the achievement of its objectives.
Department of Health (Health Sector Human Resources)		
2007	PAC concurs: 2-1 that the Department of Health should present information on significant shortfalls or surpluses in human resources in its health sector human resource plan.	**Not implemented** (as at March 31, 2007). The Department is planning a system to enable them to determine the human resource gaps.
2007	PAC concurs: 2-2 that the Department of Health should present information on succession planning and development strategies for its current workforce in its health sector human resource plan.	**Not implemented** (as at March 31, 2007). Public information has not yet been presented.

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[6] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[6]	OUTSTANDING RECOMMENDATION	STATUS
Department of Health (Métis Additions Council of Saskatchewan Inc.)		
2005	PAC concurs: 2E-3 that Board of Directors of the Métis Addictions Council of Saskatchewan Inc. should establish a long-term strategic plan and annual business and financial plans for the Métis Addictions Council of Saskatchewan Inc.	**Partially implemented** (as at March 31, 2006). MACSI prepared an annual business and financial plan. It has not yet prepared a strategic plan.
2005	PAC concurs: 2E-5 that Board of Directors of the Métis Addictions Council of Saskatchewan Inc. should provide governance training for its members.	**Partially implemented** (as at March 31, 2006). Health told us Board members will receive governance training when the new permanent Board is established.
2005	PAC concurs: 2E-6 that Board of Directors of the Métis Addictions Council of Saskatchewan Inc. should periodically assess its own performance.	**Not implemented** (as at March 31, 2006). Health told us this will be done when a permanent Board is established.
2005	PAC concurs: 2E-9 that Department of Health should work with the Métis Addictions Council of Saskatchewan Inc. (MACSI) to determine the amount that the former executive committee members of the board of directors owe MACSI and try to recover the money.	**Partially implemented** (as at March 31, 2006). Health has determined the amount of money that was misappropriated or not spent for the purposes intended. Health is considering how it will recover the money.

PAC REPORT YEAR[6]	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 2E-10 that Department of Health should strengthen its processes to keep informed about any significant problems at community-based organizations (CBOs). The processes should include: - Doing a risk assessment on all CBOs to determine the nature and extent of processes needed to monitor each CBO's performance; - Identifying objectives and performance measures for each CBO; - Reviewing each CBO's performance reports routinely; - Carrying out regular on-site assessments of high risk CBOs; and - Attending board of director's meetings of high risk CBOs.	**Partially implemented** (as at March 31, 2006). Implemented except that the Department has not done a risk assessment on all CBOs.
2005	PAC concurs: 2E-13 that Department of Health should ensure the Métis Addictions Council of Saskatchewan Inc. (MACSI) implements recommendations 1-8 of this report.	**Partially implemented** (as at March 31, 2006) As noted above, some progress has been made.
Department of Health (Saskatchewan Prescription Drug Plan)		
2005	PAC concurs: 4-1 that the Department of Health should develop a plan to monitor and evaluate drug use in the population.	**Not implemented** (as at March 31, 2006). Plan not yet developed.
2005	PAC concurs: 4-2 that the Department of Health should set, evaluate, and report on performance measures for the Saskatchewan Prescription Drug Plan.	**Partially implemented** (as at March 31, 2006). Health has implemented a new system to collect statistical information on the drug usage.

Financial performance of the health system

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Introduction

The Legislative Assembly and the public often ask about the state of the health system's finances. They want to know whether the health system's financial condition is growing stronger or weaker, and why. Also, many want to know where they can obtain the information required to help them make their own assessments.

A sound understanding of the health system's finances is important to an informed debate about the issues facing the health system. Those issues pertain to the affordability of programs and services and the maintenance of Saskatchewan's health care infrastructure of buildings and equipment.

We report on six financial and economic measures[1] over a ten year period. We modelled the measures after the research report, *Indicators of Government Financial Condition*, published by The Canadian Institute of Chartered Accountants.

Readers should be aware that the measures set out in this chapter will not provide them with information on the health status of the Province's residents or on the effectiveness of health services. The measures pertain only to the financial sustainability of the health system. Each measure can and should be analyzed in detail, combined with other information, and monitored over time. Three of the measures relate to the regional health authorities (RHAs) because they incur most of the health costs.

Performance measures

The measures we report on include:

- total health spending as a percentage of the Province's GDP

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[1] We derived information on measures for the health system from the Government's statistical reports, the *Public Accounts 2006-2007: Volume 2: Details of Revenue and Expenditure*, and the annual financial statements of regional health authorities and other health agencies. The fiscal year-end for Health, the RHAs, and other health agencies is March 31. Because the Gross Domestic Product (GDP) and the Consumer Price Index (CPI) are not available for a fiscal year, we use GDP and CPI statistics for a calendar year in our analysis. For example, the GDP statistic in the 2007 column is for the year ended December 31, 2006. GDP statistics are as published by Saskatchewan Bureau of Statistics (www.stats.gov.sk.ca). CPI statistics are as published by Statistics Canada (www.statcan.ca). We have not adjusted the information for inflation.

- total health spending as a percentage of the Government's total spending

- change in health spending compared to change in the CPI and the Province's GDP

- RHAs' operating surplus or deficit as a percentage of total RHA spending

- RHAs' working capital ratio

- change in the RHAs' capital assets

The health costs we refer to do not include Federal Government spending for Indian and northern health services or the costs that individuals and private sector organizations pay directly for health services.

Total health spending as a percentage of the Province's Gross Domestic Product

The first performance measure is total health spending as a percentage of the Province's GDP.

The Province's GDP is a measure of the value of goods and services produced in Saskatchewan in one year. The GDP reflects the size of the provincial economy. If health spending grows faster than the GDP, it indicates that the public is using more health care, and the Government is spending more to provide these services, relative to other goods and services in the Province.

During the past ten years, the Government has increased health spending by 88% from $1.84 billion in 1998 to $3.46 billion in 2007 (see graph 1). Over the same period, the Province's GDP increased by 56% from $29.4 billion in 1998 to $45.8 billion in 2007.

Graph 1   The Government's Total Health Spending
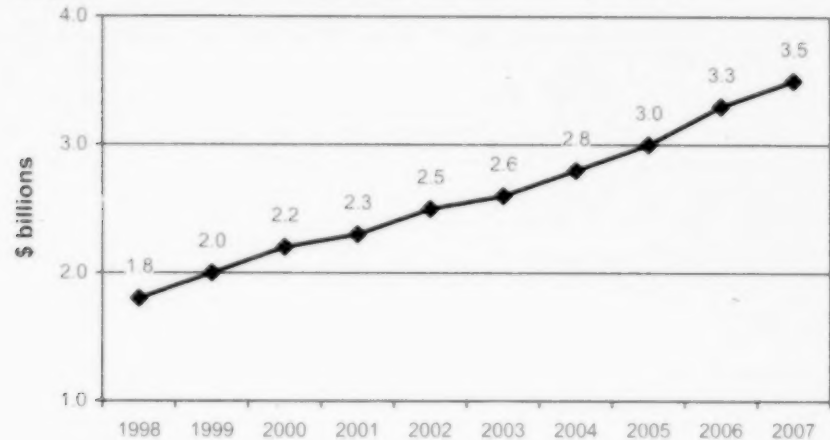
Graph 2 shows the three highest cost health programs. These programs are acute services (e.g., hospitals), supportive care services (e.g., nursing homes), and medical services (e.g., payments to doctors). Acute services costs have increased by over 106% from 1998 to 2007. The cost of supportive care increased by 73% and medical services by 52%.

Graph 2   Highest Cost Health Program Spending
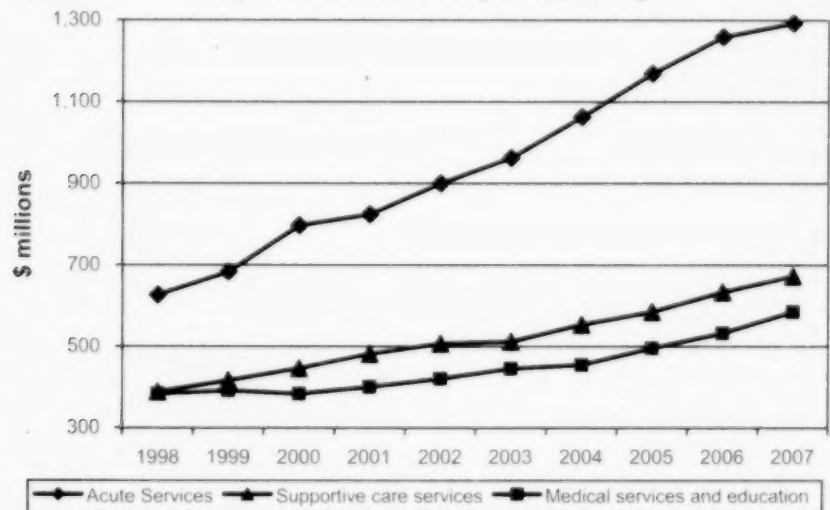
Graph 3 shows the trend in the total health spending as a percentage of the provincial GDP from 1998 to 2007. By comparing the total health spending to the Province's GDP, the reader can assess the financial demands placed on the economy by health spending.

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Graph 3   Total Health Spending as a Percentage of GDP
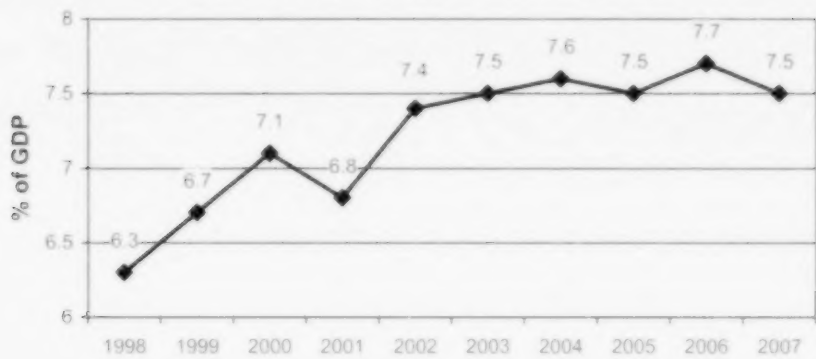
This comparison shows that while a significant increase occurred in the period 1998 to 2001, since 2002 health spending as a percentage of GDP has been relatively stable. If this trend continues, the economy may be able to support the increasing levels of health care spending.

Saskatchewan is not unique. Health care spending as a percentage of GDP is growing in most other provinces[2] and many other countries.[3] As well, while the Saskatchewan Government has significantly increased health spending since 1998, it has also improved its overall fiscal position and has increased spending on other government programs.[4]

Total health spending as a percentage of the Government's total spending

The second performance measure is total health spending as a percentage of the Government's total spending.

This measure shows the impact that health spending has on the government's ability to deliver other government programs. The ability to spend a greater percentage on health each year may not be sustainable because of the need to provide other necessary government services.

[2] The Canadian Institute for Health Information; *Health Indicators, 2006,* June, 2006, and *Health Indicators, 2002,* May, 2002.
[3] Organization for Economic Co-operation and Development; *Health Data 2005,* October 2005.
[4] Provincial Auditor of Saskatchewan: 2007 Report – Volume 2.

Graph 4 shows the trend in increased health spending as a percentage of the Government's total spending from 1998 to 2007. By comparing health spending to the Government's total spending, we can assess the financial demands health spending places on the Government's total spending.

Graph 4   Total Health Spending as a Percentage of the
                        Government's Total Spending
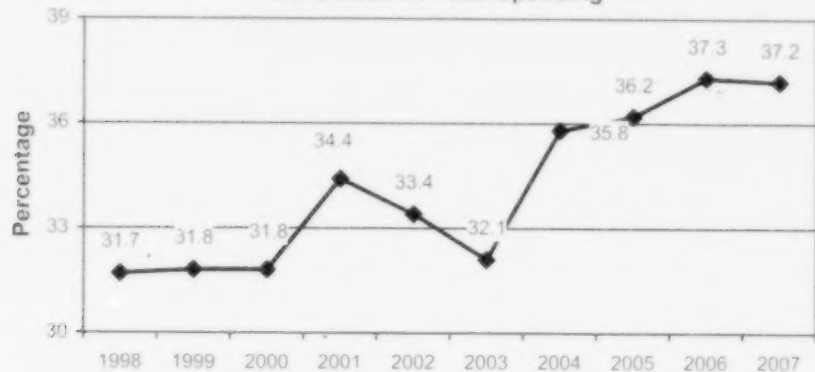
This comparison shows that from 1998 to 2007, health spending has increased from 31.7% to 37.2% of the Government's total spending. If this upward trend continues, the increasing demands for health care spending could limit the Government's ability to maintain required spending on other vital programs.

Change in health spending compared to change in the CPI and the Province's GDP

A third performance measure is the change in health spending compared to the change in the Consumer Price Index (CPI) and the GDP.

Comparing the change in health spending to the change in the CPI indicates whether health spending has kept pace with inflation. If health spending increases are higher than the CPI, this could indicate an unsustainable trend because health spending is exceeding inflation.

Comparing the change in health spending to the change in GDP shows the rate that health spending changed to the rate that the provincial economy changed. If health spending increases over time are higher than

the growth of the provincial economy, this could indicate an unsustainable trend.

Graph 5 shows health spending is growing faster than the provincial economy and faster than inflation. Because Saskatchewan's economy is vulnerable to changes in commodity prices, interest rates, and the weather, the increases in health spending in recent years may not be sustainable in the long term. A downturn in Saskatchewan's economy could require the Government to make difficult decisions on health spending.

Graph 5   Change in Health Spending Compared to CPI and GDP -
Percentage Increase from 1998 to 2007
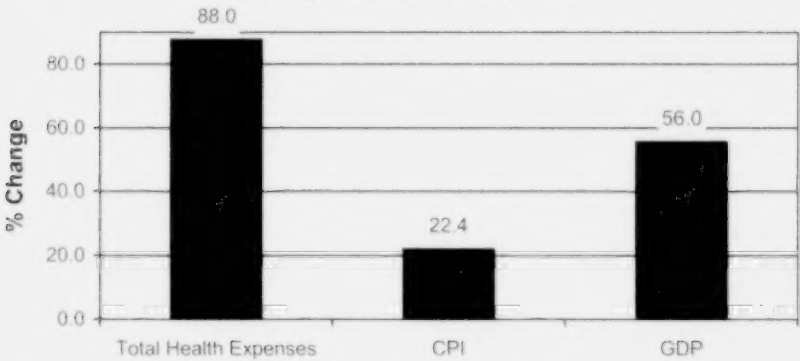
RHAs' annual operating surpluses and deficits as a percentage of total RHA spending

A fourth performance measure is the RHAs' annual operating surplus or deficit as a percentage of total RHA spending.

The annual operating surplus (or deficit) shows the extent to which the RHAs have more (or less) operating revenue than operating expenses in a fiscal year. RHAs that are able to run an operating surplus are better able to sustain their capacity to maintain their programs over the long term.

Graph 6 shows that since 1998, the RHAs fluctuated between having small annual surpluses and deficits with the exception of a relatively large deficit in 2000. If this trend continues, the RHAs should be able to sustain their capacity to maintain their programs over the long term.

Graph 6   RHAs' Operating Surpluses and Deficits as a % of RHAs'
Expenses
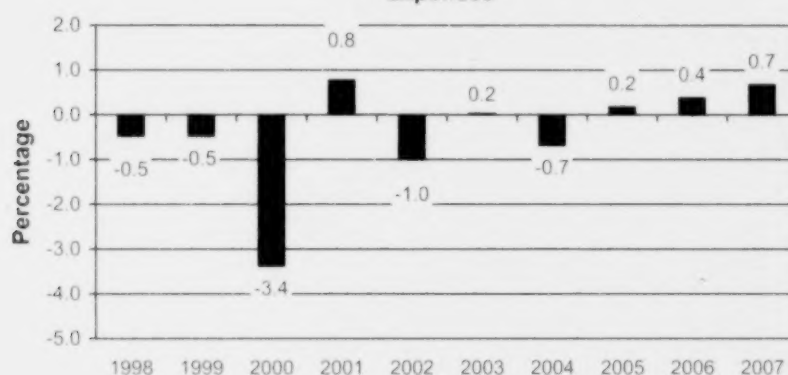
RHAs' working capital ratio

The fifth performance measure is the RHAs' working capital ratio.

RHAs calculate the working capital ratio by dividing current assets by current liabilities.[5] This ratio represents the RHAs' ability to pay employees and suppliers on time. Declines in current assets compared to current liabilities may impair an RHA's ability to maintain programs and services.

Graph 7 shows a fairly stable trend in the RHAs' working capital ratio from 1998 to 2007. The ratio reflects the number of times that current assets exceed current liabilities. Since March 31, 1999, the RHAs average working capital ratio has been around 0.7. This means that current liabilities exceed current assets, which could impair the RHAs' ability to pay salaries and other costs on time.

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[5] Current assets are amounts that are realizable within one year; current liabilities are amounts that are payable within one year.

Graph 7   **RHAs' Working Capital Ratios**
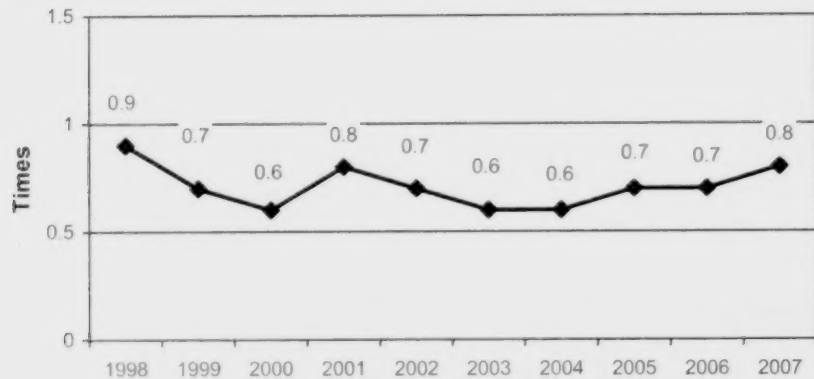
Change in the RHAs' capital assets

The final performance measure is changes in capital assets owned by RHAs.

RHAs use $912 million of capital assets[6] to deliver health services. Capital assets include property, buildings, and equipment. RHAs must properly maintain or replace their capital assets, or risk losing the assets' productive capacity. For example, if RHAs delay making necessary building renovations or replacements, the potential future costs to repair, renovate, or replace these assets may impair their ability to deliver needed services.

Governments and health experts encourage a shift of health services from institutions (e.g., hospitals, nursing homes) to services in the home and community. This shift is resulting in less need for new capital assets and to replace some existing assets.

Graph 8 shows a trend in total capital assets owned by RHAs. From 1998 to 2007, capital assets have remained fairly constant from $852 million to $912 million. This trend may indicate continued sustainability of the RHAs' services assuming they hold the right capital assets. As described in Part A of this chapter, Health does not have a capital asset plan to ensure that the RHAs have the right capital assets to deliver health services effectively.

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[6] $912 million is the value of amortized capital assets owned by the RHAs at March 31, 2007.

Graph 8   **RHAs' Capital Assets**
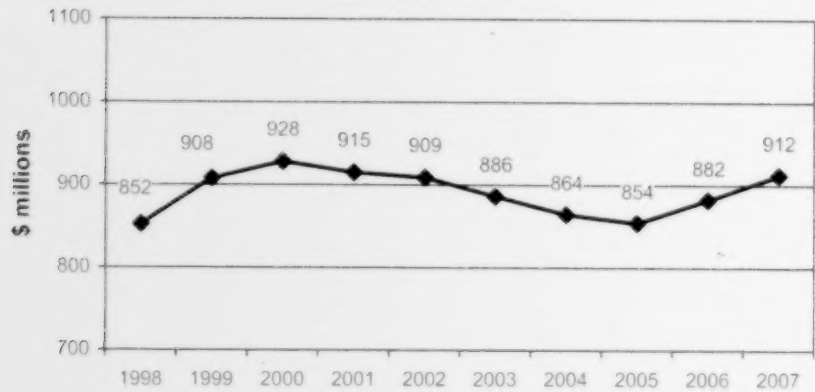
Summary

We encourage legislators and the public to use the above analysis to promote discussion and debate on the state of our health system's finances. We encourage Health to publish similar information on the financial targets and measures it uses to assess its financial performance. Such reporting would provide useful information on Health's financial performance.

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Regional Health Authorities

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Introduction

The Regional Health Services Act (the Act) makes the 12 Regional Health Authorities (RHAs) responsible for the planning, organization, delivery, and evaluation of health services in their health regions.

In 2007, the RHAs had revenues totalling $2.4 billion ($2.1 billion from the Department of Health (Health)). They had a combined annual surplus of $54.9 million. At March 31, 2007, the RHAs held total assets of $1.2 billion. Each RHA's annual report contains its financial statements.

Our Office audits the Regina Qu'Appelle Regional Health Authority directly. The following is a list of the RHAs and their appointed auditors.

RHA	Appointed Auditor
Cypress	Stark & Marsh
Five Hills	Virtus Group LLP
Heartland	KPMG LLP
Kelsey Trail	Neumann & Neumann
Keewatin Yatthé	Meyers Norris Penny LLP
Mamawetan Churchill River	Deloitte & Touche LLP
Prairie North	Deloitte & Touche LLP
Prince Albert Parkland	Meyers Norris Penny LLP
Saskatoon	KPMG LLP
Sun Country	Meyers Norris Penny LLP
Sunrise	Parker Quine LLP

Our audit conclusions and findings

We carried out our audit responsibilities for 11 of the RHAs by working with their appointed auditors. When we work with appointed auditors, we follow the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

In our opinion, for the year ended March 31, 2007:

- the RHAs had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter

- the RHAs complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter reported in this chapter

- the RHAs' financial statements are reliable

We also report one matter relating to the improper use of public money.

The RHAs' appointed auditors and our Office formed the opinions referred to above except the report of the appointed auditor of Kelsey Trail RHA did not report the need for the RHA to have information technology (IT) policies and procedures based on a threat and risk assessment. We describe this later under *Information technology policies and procedures needed*.

When we are unable to rely on the work and reports of appointed auditors, *The Provincial Auditor Act* requires us to do additional audit work. Our additional work consisted of reviewing IT documentation and discussing areas of concern with management.

The chapter provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented.

Safeguarding public resources

Boards of agencies need to ensure that management has established adequate processes to safeguard public resources. We note the following instances where the RHAs' processes were not adequate to safeguard public resources.

Written policies and procedures required

The Regina Qu'Appelle Regional Health Authority Board did not have adequate, up-to-date written policies and procedures to achieve the RHA's objectives and safeguard public resources.

Written policies and procedures provide for the orderly and efficient conduct of business. They also reinforce the Board's delegation of authority and the responsibilities of all staff. Written policies and procedures help reduce the risk of errors, fraud, breakdowns in control, and unauthorized transactions.

The RHA did not have adequate written financial management policies covering budgeting, monthly financial reporting, and year-end procedures. The RHA also needs to update the documentation of its general accounting policies and procedures.

The RHA needs to ensure that there are written policies and procedures for staff to follow to safeguard public resources and ensure timely and reliable interim and year-end financial reporting. It is important that the RHA make these policies and procedures readily available to all staff. A lack of written policies and procedures may create confusion regarding delegation especially when turnover occurs.

The RHA has some policies and procedures and sends information to staff on budget and financial reporting requirements annually. The RHA also has begun the process of establishing and documenting Board policies. The RHA has implemented a written policy documenting signing authority procedures already in use. The RHA needs to continue this process until all policies and procedures are documented.

We reported this matter in 2003 and subsequent years. In June 2004, the Standing Committee on Public Accounts (PAC) agreed with our recommendation.

We continue to recommend that the Regina Qu'Appelle Regional Health Authority establish complete written financial management policies to cover budgeting, reporting, projections, and revisions to plans, as well as general accounting procedures.

Financial control over bank accounts needed

Mamawetan Churchill River RHA needs to follow its established processes to control its bank accounts when making payments to employees and vendors.

The RHA's established processes require management to approve all employee timecards that indicate the hours worked. Managers often did not approve the timecards until several months after the RHA paid the employees. This lack of timely approval could result in losses of public money due to the RHA paying employees for work not done.

The RHA's established processes require employees to prepare, and management to approve, purchase orders for purchases of goods and services. Employees often did not prepare purchase orders until after the RHA received the goods and services. This could result in losses of public money due to inappropriate purchases.

1.   We recommend that the Mamawetan Churchill River Regional Health Authority follow its processes to control its bank accounts when making payments to employees and vendors.

Cypress RHA needs to improve processes to ensure it pays staff only for work done.

Staff paid on an hourly basis record hours worked on time sheets. The recorded hours determine the amount an employee is paid. The records also update information such as vacation time used and available. If the time records are not accurate, the RHA may pay employees incorrectly.

The RHA did not require supervisors to approve time sheets. This could result in inaccurate time cards and inappropriate payments.

2.   We recommend that the Cypress Regional Health Authority control its bank accounts when making payments to employees.

Affiliate reporting required

The Saskatoon RHA needs to obtain the following required information from affiliated agencies.

An affiliate did not provide the RHA with auditor's reports on internal controls and on legislative compliance. The RHA requires these reports under its operating agreement with the affiliate.

The RHA carries out some of its services through affiliates (i.e., privately-owned hospitals and nursing homes). Without adequate reporting, the RHA cannot ensure that its affiliates are safeguarding public resources.

We reported a similar matter in 2006. In June 2007, PAC agreed with our recommendation.

We continue to recommend that the Saskatoon Regional Health Authority obtain audited internal control and legislative compliance reports from its affiliated agencies.

Information technology policies and procedures needed

Five RHAs need to establish information technology (IT) policies and procedures (processes) to ensure the confidentiality, integrity, and availability of information systems and data.

Kelsey Trail, Mamawetan Churchill River, Prince Albert Parkland, Saskatoon, and Sun Country RHAs need IT processes that ensure vital information is protected, accurate, complete, authorized, and available. The RHAs should base their IT processes on a formal threat and risk analysis. A threat and risk analysis allows management to identify the processes it needs to protect its systems and data. For example, the IT processes should identify who is responsible for the security of systems and data, define how they will grant or remove access to systems, and clearly identify the rules that staff must follow. The RHAs also need to define how they will monitor compliance with IT processes and address weaknesses.

When the RHAs establish their IT processes, they need to carry out a security awareness program. Awareness training helps ensure staff

understand the security policies, the security risks, and their
responsibilities for security monitoring.

Without complete IT processes, the RHAs risk the unauthorized
disclosure of confidential information, reliance on incomplete and
inaccurate information, and the loss of vital information.

As well, in Part F of this chapter, we describe how the Health Information
Solutions Centre of the Department of Health (HISC) does not have
adequate controls to protect the confidentiality, integrity, and availability of
client information technology systems and data. The RHAs are clients of
HISC. It provides many information systems that RHAs use to deliver
health services.

We continue to recommend that the Kelsey Trail, Mamawetan Churchill
River, Prince Albert Parkland, and Saskatoon Regional Health Authorities
establish information technology policies and procedures based on a
threat and risk analysis. In October 2005 and June 2007, PAC agreed
with our recommendations.

3.   **We recommend that the Sun Country Regional Health
        Authority establish information technology policies and
        procedures based on a threat and risk analysis.**

Disaster recovery plan needed

Five RHAs need written, tested, and approved information technology (IT)
disaster recovery plans to ensure they can continue to deliver their
programs and services if their critical IT systems are not available. The
RHAs' risk assessment should include a prioritization of key programs
and systems.

Although Keewatin Yatthé, Mamawetan Churchill River, Prairie North,
Prince Albert Parkland, and Sun Country RHAs have processes to back
up their systems and data, these processes may not be sufficient in the
event of a disaster.

An IT disaster recovery plan should:

•   set out the responsibilities of those who are to implement the plan

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- include emergency procedures while the system is unavailable
- include steps for the recovery and restoration of the system
- be regularly tested and updated

We reported similar matters in past years. In June 2004 and June 2007, PAC agreed with our recommendations.

During the year, Prairie North and Keewatin Yatthé RHAs created disaster recovery plans, but they have not tested these plans to assess their effectiveness. We continue to recommend that the Mamawétan Churchill River, Prairie North, Keewatin Yatthé, Prince Albert Parkland, and Sun Country RHAs prepare information technology disaster recovery plans.

Physical computer security controls inadequate

Keewatin Yatthé RHA needs to secure its information technology (IT) systems and data from loss.

Good physical controls means protecting IT infrastructure from harm. Physical access controls protect all computers, network devices, disk drives, backup devices, and wiring from unauthorized access. For example, the RHA should physically prevent unauthorized users from entering its data centre. Good physical controls help ensure the RHA protects vital information and that the information is accurate, complete, authorized, and available.

The RHA does not physically prevent unauthorized access to its computer room. It leaves doors unlocked and open to prevent equipment from overheating. Without appropriately securing its computer room, the RHA risks the unauthorized disclosure of confidential information, reliance on incomplete or inaccurate information, and the loss of vital information.

4. We recommend that the Keewatin Yatthé Regional Health Authority adequately secure its computer room.

Improper use of public money by a health care agency

During the year, Kelsey Trail RHA found that an employee of a health care agency it contracted to provide services misused approximately

$24,000 of public money. The agency receives about $115,000 annually from the RHA to provide recovery services to chemically dependent persons.

Inadequate segregation of duties allowed an employee at the health care agency to collect money, write cheques, alter journal entries and bank deposits, and pocket the collected money. The RHA discovered the problem through its monitoring procedures. The RHA has taken over providing the services directly and has discontinued its relationship with the health care agency. The RHA told us it has referred the matter to the local police.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter[1].

PAC REPORT YEAR[2]	OUTSTANDING RECOMMENDATION	STATUS
Department of Health (Regional Health Authorities)		
2002	PAC concurs: 6D-1 that all RHAs should prepare capital equipment plans that contain the key elements for capital equipment plans in the public sector.	**Partially implemented** (as at March 31, 2007). Capital equipment plans are improving but still do not contain all key elements of good plans.

[1] For the definitions of the key terms used in the table, see Chapter 25 – Standing Committee on Public Accounts pages 398 to 399.
[2] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[2]	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 2-1 that the Boards of Governors of the Regina Qu'Appelle and Saskatoon Health Regions should commit to workplace safety as a priority and that the boards should: - set specific targets to reduce work-related injuries to care staff in the short term; - allocate resources to achieve the targets (e.g. staff or mechanical aids); - receive frequent reports about injury rates and actions to reduce injuries; and - hold senior managers accountable to reduce injuries.	**Partially implemented** (as at September 30, 2006). All partially implemented with slower progress by Regina Qu'Appelle.
2005	PAC concurs: 2-2 that the Regina Qu'Appelle and Saskatoon Health Regions should analyze the unit staffing patterns that are associated with high and low injury rates, and implement the lessons learned.	**Partially implemented** (as at September 30, 2006). Both Health Regions have done some work on this but more is needed.
2005	PAC concurs: 2-3 that the occupational health committees of the Regina Qu'Appelle and Saskatoon Health Regions should: - monitor injury trends at least quarterly; - analyze the causes of injuries in areas with high injury rates at every meeting; and - make written recommendations to senior management and their board to fix unresolved causes of injuries.	**Partially implemented** (as at September 30, 2006). The Saskatoon Health Region has implemented this recommendation. The Regina Qu'Appelle Health Region still needs more improvement.

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Hospital-acquired infections

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Introduction

Some people get infections while in hospital. These hospital-acquired infections are a risk that hospitals must control to manage health care economically and safely for patients. This chapter sets out the findings of our audit of Sunrise Regional Health Authority's processes to reduce hospital-acquired infections.

Sunrise Regional Health Authority (Sunrise) serves about 56,000 people. It has two hospitals (Yorkton 87 beds, Melville 30 beds) and four integrated facilities each having 10 to 22 acute care beds (Esterhazy, Canora, Kamsack, Preeceville). It also operates health centres in seven other communities. Sunrise has 2,756 employees.[1] It spent about $156.3 million in 2006-07.

Like other public service agencies, Sunrise must balance financial limitations and high public expectations. Its board is accountable for the quality of care and patient safety including infection control.

Background—the risk of hospital-acquired infections

A hospital-acquired infection is one that is not present when a patient enters the hospital. The infections most commonly acquired in hospitals are infections in surgical wounds or intravenous sites, urinary tract infections, and pneumonia; less common are outbreaks of infectious diarrhea and influenza.

Infections cause complications and increase the cost of care up to 2.8 times higher or $15,000 per infection due to longer hospital stays, greater use of drugs, more laboratory tests and other procedures.[2,3] Some patients die due to infections acquired while in hospital. For example, in 2004, *clostridium difficile* infections in Montreal and Calgary hospitals caused severe diarrhea and resulted in over 80 deaths.[4] Saskatchewan hospitals do not routinely report hospital-acquired infections to the public.

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[1] As of January 22, 2007 per human resources department, Sunrise Regional Health Authority
[2] United Kingdom. National Audit Office. (2000). *The management and control of hospital acquired infection in acute NHS trusts in England*. London: Author. p.19.
[3] Montreal Jewish General Hospital 2004 study of ventilator-associated infections. Canadian Institute of Health Information.
[4] Eggertson, L. & Siddald, B. (2004). Need for national surveillance for hospital infections. *CMAJ 171*(1).

Canada does not have a national system to monitor the rate of infections acquired in hospitals. Hospital acquired infection rates vary widely by facility, type of patient, care procedures, and the way the agency calculates the rate of infections. A 2002 national study estimated that in 29 Canadian hospitals there were 110 hospital-acquired infections for every 1,000 adult patients (i.e., 11%).[5]

A large proportion of hospital-acquired infections may be preventable (e.g., 30 to 50% or more), thus avoiding harm to patients and the extra costs associated with infections.[6, 7] Basic hand washing and housekeeping practices can reduce the rate of hospital-acquired infections significantly. Sometimes prevention requires specific actions (e.g., less use of urinary catheters; timely use of intravenous antibiotics before surgery; raising the head of the bed slightly to avoid pneumonia).

The Hospital Standards Regulations (s.60-62) make boards accountable to prevent and control infections in hospitals. In addition to their role to protect patients from harm, boards also have a duty as employers to prevent exposing workers to infections as set out in the *Occupational Health and Safety Regulations* (s.302).

Audit objective and conclusion

The objective of this audit is to assess the adequacy of the Sunrise Regional Health Authority's processes to manage hospital-acquired infections as of June 30, 2007. The criteria set out in Exhibit 1 reflect legislation, regulations, and standards related to infection control as well as the current literature (see selected references).

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[5] Canadian Institute of Health Information. (2004). *Health Care in Canada*. Toronto: Author.

[6] United Kingdom. National Audit Office. (2000). *The management and control of hospital acquired infection in acute NHS trusts in England*. London: Author. p.5.

[7] Canadian Institute of Health Information. (2004). *Health Care in Canada*. Toronto: Author. p.61.

Exhibit 1—Criteria

To have adequate processes to manage hospital-acquired infections, Sunrise Regional Health Authority should:

1   Plan to manage hospital-acquired infections
    1.1 plan to meet all legislative requirements
    1.2 set out clear expectations
    1.3 update the infection control plan regularly
    1.4 plan a communication strategy

2   Use good practices to prevent, control, and monitor infections
    2.1 adopt methods to prevent and control infections
    2.2 train staff to maintain competence for safe practice
    2.3 provide resources to prevent and control infections
        (e.g., supplies, staff, guidance)
    2.4 monitor infection control practices regularly

3   Use information systems effectively
    3.1 use a central reporting system to monitor infections
    3.2 control quality of data about infections
    3.3 analyze data to identify emerging risks, trends, and areas for action

4   Report results for continuous improvement
    4.1 report infections promptly to health care practitioners
    4.2 report infection rates to management and infection control committee
    4.3 review infection control reports regularly
    4.4 inform relevant partners about infection risks and trends

As of June 30, 2007, the Sunrise Regional Health Authority had adequate processes to manage hospital-acquired infections except for its processes to plan for the prevention of hospital-acquired infections and report infection rates and causes.

During 2006 and 2007, several factors hampered Sunrise's efforts to manage hospital-acquired infections. For example, it had vacancies in key infection control positions and turnover in supervising positions. Sunrise is working to improve its infection control processes.

Findings—managing hospital-acquired infections

The sections below highlight what we expected (our criteria) in headings and italics followed by our significant findings and recommendations. The sub-headings often reflect more than one sub-criteria.

Planning to manage hospital acquired infections

We expect health agencies to plan for the management of infections that patients and staff can acquire in hospitals by:
- *planning to meet all legislative requirements*
- *setting out clear expectations*
- *updating the infection control plan regularly*
- *planning a communication strategy*

Legislative requirements

Sunrise has a good regional infection control manual that states one purpose of its infection control program is "to meet legal requirements for infection control." *The Hospital Standards Regulations* (s.60-62) require hospital boards to establish an infection control committee to prevent and control infections. Sunrise has three local committees (south, central, and north). Sunrise also has a regional infection control committee to guide its processes for preventing and controlling infections acquired in its hospitals.

Sunrise designed its regional infection control committee to lead and evaluate efforts to control hospital-acquired infection and meet legal requirements. Minutes show that in 2006 and 2007, the regional committee did not fully carry out its role. The regional infection control committee did not set out a plan to prevent infection. It did not receive regular reports about the rate of infections caused by hospital practices in health facilities across the region. It did not evaluate related training.

During 2006 and early 2007, all the local infection control committees met sporadically with meetings up to ten months apart due to various human resource issues (e.g., turnover, vacancies). Poor attendance also hampered the committees' work. The regional and local committees focused on masks and gloves that reduce the spread of infections and protect staff, and on pandemic influenza planning.

The Occupational Health and Safety Regulations (s.85-3) require an "exposure control plan" to set out essential actions if staff are exposed to blood or body fluids that may be infected. Sunrise's infection control manual contains a large section that has the required elements of an exposure control plan. A *Rapid Response Guide* is readily accessible to

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all staff throughout the region. It provides key information specific to individuals who play important roles in reducing the impact of exposure to infectious body fluids.

Expectations, updates, and communication

The regional infection control manual describes policies and specific procedures in good detail. Sunrise updated some parts of this manual in response to changing infection control needs. For example, after coping with influenza outbreaks that affected both staff and patients in its hospitals, in 2005, Sunrise updated its policies to improve how it manages influenza outbreaks. In 2006, Sunrise updated the "routine practices" section of the manual.

Sunrise has a regional communication plan that emphasizes a culture of safety. Policies direct staff in making decisions about communicating an infection risk to the staff or the public. The medical health officer is the primary person responsible to decide when to communicate with the public about infections that could spread to the community.

The regional strategic plan and one hospital's operational plan contain brief comments related to infection control. Sunrise regional infection control manual outlines broad goals for infection control (e.g., comply with legislation, safe workplace).

Sunrise does not have an infection control plan setting out objectives, measures, and targets to prevent and control hospital-acquired infections. A regional plan would help infection control committees to direct attention to high-risk areas and monitor the results of infection control processes. Also, a regional infection control plan would help managers and the board to oversee the prevention of hospital-acquired infections in the region.

1.   **We recommend that the Sunrise Regional Health Authority develop a regional infection control plan to guide the prevention of hospital-acquired infections.**

Using good practices to prevent and control infections

We expect health agencies to reduce hospital-acquired infections by consistently using processes to:

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- ◆ *adopt methods that will prevent and control infections*
- ◆ *train staff to maintain competence for safe practice*
- ◆ *provide resources to prevent and control infections (e.g., supplies, guidance, staff dedicated to infection control)*
- ◆ *monitor regularly the use of practices that prevent or control infection*

Adopting methods and training staff

The regional infection control manual describes the methods that Sunrise adopts to prevent and control hospital-acquired infections. The manual identifies good practices for a wide range of infection-related situations. The manual is detailed, well organized, and provides clear guidance.

We observed that hospitals in Yorkton and Melville use good practices. For example, we noted that hand-washing solution was available at the entry, at nurses' desks, and outside patient rooms. On surgical wards, gloves were readily available by each patient's room to help prevent infections after surgery. Sunrise ensures its sterilization process works. For example, Sunrise cleans re-usable items before sterilizing them and checks its sterilization equipment each day it is used.

Sunrise alerts staff to their individual responsibility to prevent infections. All staff receive infection control training during their general orientation and written material is available for any staff unable to attend. The orientation specifically addresses hand washing, avoiding jewellery, wearing clean uniforms, and other routine practices that can reduce infections. Sunrise's hospitals remind staff of their responsibility to prevent infections with varied posters on display throughout the region.

Sunrise provides additional infection control training that is specific to work tasks such as housekeeping, sterile processing, and nursing infectious patients. For example, Sunrise provides detailed training to nurses about caring for patients who have infections that are resistant to antimicrobial drugs.

Sunrise does not train staff to investigate and analyze the cause of hospital-acquired infections. Written guidance or training about investigating infections could help Sunrise to identify all hospital-acquired infections, determine the cause, and report an accurate infection rate for

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each type of infection. Guidance about investigating infections would also help those with oversight responsibilities (e.g., nurse managers, occupational health committee members) to identify quickly those practices that increase the risk of infections.

2.   We recommend that the Sunrise Regional Health Authority provide guidance to help staff fully identify, investigate, analyze, and report hospital-acquired infections.

Providing resources to prevent and control infections

Controlling infections is the responsibility of all staff and patients working together, but coordination and leadership improve the use of good practices. In 2004 to 2006, Sunrise had a full-time regional infection control officer who was a registered nurse with an infection control certificate. Sunrise assigned the regional infection control officer to be the regional expert and the local infection control officer for Sunrise's largest hospital. During 2006-2007, the position experienced frequent turnover of staff and was vacant for several months.

Sunrise's infection control manual sets out what supplies staff are to use. Other specific manuals are also available (e.g., housekeeping, laboratory). These detailed manuals specify the nature of cleaning supplies, wound care products, needles, and equipment of various kinds. They identify specific actions and how often they are required. For example, policies state that disposable supplies must not be re-used.

The Occupational Health and Safety Regulations highlight employers' duty to prevent exposing workers to infection (s.302) and to provide supplies or personal protective equipment such as gloves, masks, etc. (s.88). Preventing exposure to airborne infections is particularly difficult. Sunrise has invested considerable time and resources to ensure its staff have appropriate surgical and respirator-masks and are trained to use them to prevent the spread of airborne infections.

Sunrise infection control committees routinely evaluate products and practices to ensure that each product achieves the purpose intended and is safe for patients and staff. Sunrise tests supplies such as cleaning products and safety-engineered needles before staff begin to use them more widely.

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One resource necessary for infection control is physical space that allows for the isolation of patients to reduce the spread of infections. The physical space available in Sunrise makes it difficult to isolate patients. For example, the Yorkton hospital does not have bathrooms in private rooms and some wards cannot be isolated as the space was designed without doors. Although Sunrise uses commodes for patients isolated in private rooms and makes other adjustments as required, these actions often require additional time and resources.

Monitoring practices that prevent or control infection

Sunrise encourages staff immunization to help protect patients and staff from communicable diseases and monitors immunization rates. Sunrise's managers routinely observe infection control methods used by staff. In addition to this informal monitoring, managers conduct more formal practice reviews daily, weekly, monthly, or quarterly depending on the severity of risk.

Managers often use checklists to monitor practices required to prevent infections. For example, Sunrise monitors sterile processing daily for effective cleaning of medical instruments and other patient care items. For housekeeping, Sunrise monitors the cleaning of patient rooms and also uses a detailed checklist monthly to ensure cleaning methods meet established standards.

Managers provide direct personal feedback if there is concern about the way staff do their work. Sunrise does not report the rate of various infections to give feedback to managers and staff about their success in preventing infections on their work units or throughout Sunrise.

Using information systems

We expect health agencies to use information systems that will help them reduce hospital-acquired infections and will:

- use a central reporting system to monitor infections
- control quality of data about infections
- analyze data to identify emerging risks, trends, and areas for action

Using a central reporting system to monitor infections

Sunrise uses a standardized, paper-based system to report hospital-acquired infections throughout the region. The infection control manual sets out useful data collection forms for specific situations related to outbreaks, infections discovered while a patient is in hospital, and infections discovered after an early discharge from hospital to homecare or long-term care.

The forms Sunrise uses to report infections record the symptoms, type of infection (e.g., surgical site, respiratory), and the positive laboratory test. The forms do not record the probable cause of the infection or observed risk factors. Sunrise expects the infection control officer receiving the form to investigate the cause of the infection.

Sunrise's policies require that infection control officers do chart audits[8] routinely after patients are discharged as this helps to identify hospital-acquired infections. Chart audits could be an important source of information for calculating infection rates and should be part of a regional infection control plan. Sunrise did not do chart audits during 2006 and 2007.

Data quality and analyzing infection risks and trends

The quality of data depends on the consistent use of standard forms and instructions about collecting and combining the data. Sunrise has good policies for surveillance and reporting of hospital-acquired infections. The policies define performance measures and explain how to calculate the rate of various types of hospital-acquired infections (e.g., urinary tract infection, pneumonia, diarrhea, etc).

Sunrise policies direct staff to collect and analyze data during outbreaks of infections using "line lists" of infected patients and staff. For example, during an outbreak of influenza or diarrhea, Sunrise staff record "line-lists" that track the spread of the infection and the number of patients and staff affected. A summary report for each outbreak identifies the number of people at risk, the number affected, and the duration of the outbreak. This

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[8] After patients are discharged from hospital, health records staff review patient charts and flag for the investigation of the infection control officer those charts where the patient had positive laboratory reports.

allows Sunrise to evaluate its success in reducing the severity of the impact of outbreaks.

Sunrise's policies about calculating infection rates are clear. Policies show that Sunrise intends to analyze various types of hospital-acquired infections by calculating the infection rate per 100 discharged patients on a monthly basis. During 2006 and 2007, infection control officers did not use this guidance consistently. This may be due in part to turnover of infection control officers and their supervisors. It also may relate to the challenges of reporting rates for small populations and small numbers of specific infections.

From January 2006 to June 2007, infection control officers created two reports that analyzed hospital-acquired infection rates over time: one for the Melville hospital and one for the Yorkton hospital. Neither of these reports covered a full year. The reports were not comparable. One report calculated an infection rate per month for all types of infections; the other recorded the number of infections by type but did not calculate rates. The reports did not describe common causes, risks, trends, or areas for action. We do not know if these reports included all hospital-acquired infections during the period of the report.

Reporting results for continuous improvement

We expect health agencies to:
♦ *report infections promptly to health care practitioners*
♦ *report infection rates to management and infection control committees*
♦ *review infection control reports regularly*
♦ *inform relevant partners about infection risks and trends*

Reporting infections and reviewing trends

Sunrise staff communicates the immediate risk of infection to health care practitioners as soon as they receive laboratory reports identifying an infection. If there is a concern about a possible outbreak of influenza or infectious diarrhea, a nurse consults the Medical Health Officer even before there are positive laboratory results. In this way, Sunrise is able to take action to isolate infectious patients to protect other patients and staff.

In addition, a confidential symbol automatically appears on a patient's hospital record if the person is a carrier for a drug-resistant infection.

Sunrise's infection control manual requires quarterly reports of hospital-acquired infections to go to the facility manager and the local infection control committee. Infection control officers did not produce quarterly reports during 2006 and 2007. Local infection control committees received some verbal reports about specific types of infections.

Local infection control committees need an up-to-date understanding of infection trends and risks in their health facilities. Quarterly reports should describe the rates, trends, and causes of hospital-acquired infections by facility and by unit or ward. Quarterly reports should also recommend action to protect patients and staff. Follow-up of recommended actions and infection trends would enable the committees to oversee progress in controlling infections acquired in hospitals.

Policies require local infection control committees to submit an annual report of the rates of hospital-acquired infections to the regional infection control committee. Two out of three local committees submitted annual reports, but the timing was ad hoc. There is almost no mention of these reports in minutes and the committees did not review the reports for completeness, trends, causative factors, etc.

Neither the infection control officers' supervisors nor the regional committee considered whether the reports accurately recorded all hospital-acquired infections on various work units throughout Sunrise.

Informing relevant partners about infection risks or trends

Sunrise makes timely reports of infection risks to its partner agencies. When Sunrise transfers patients to other health care facilities, nursing staff routinely inform the ambulance staff and the receiving facility of any infection risk verbally and in writing. The Medical Health Officer receives reports submitted to the infection control committees and is involved in managing infectious outbreaks (e.g., influenza).

All Sunrise health providers could be partners in reducing the rate of infections if they were kept better informed. For example, in early 2006, a local infection control officer informed the local committee that a patient in

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the local hospital had a *clostridium difficile* infection—one of the dangerous infections that may not respond to treatment and can be life threatening. Although the regional infection control committee met that month and again three months later, the minutes show no discussion of this serious infection risk. The minutes are Sunrise's main tool for communicating with health providers about infections in the hospital.

During 2006-07, Sunrise made two reports to the board about outbreaks of diarrhea and influenza in the hospital (October 2006, January 2007). It also sends outbreak summary reports to Saskatchewan Health.

Sunrise did not report the rate of hospital-acquired infections to the managers, physicians, the board, or the public. Sunrise's policies do not require it to make public its rate of hospital-acquired infections.

3.   We recommend that the Sunrise Regional Health Authority focus its actions to prevent and manage hospital-acquired infections by reporting and monitoring:
    •   the rates and causes of hospital-acquired infections
    •   progress toward targets by type of infection

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Public eating establishment inspections

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Introduction

Food safety is a significant issue for residents of Saskatchewan. One of the ways people contract food borne illnesses is by eating at public eating establishments such as restaurants. Public health inspectors monitor public eating establishments to protect public safety.

The Public Health Act, 1994 (Act) assigns responsibility for inspections of public eating establishments to the regional health authorities. Part E of this chapter sets out the results of our audit of Sun Country Regional Health Authority's compliance with the Act and related authorities governing food inspections of public eating establishments.

The Act and related authorities direct the conduct and frequency of eating establishment inspections as well as inspector qualifications. The authorities require inspectors to examine eating establishment cleanliness and sanitation, food preparation and storage, and food handling training for eating establishment staff. The authorities also define eating establishment hazard ratings and prescribe when actions are required by the owners and the inspectors to remedy any concerns found by the inspectors.

Background

Sun Country Regional Health Authority (Sun Country) is widely dispersed. It is primarily rural with two small cities, Weyburn and Estevan. Sun Country operates 28 health facilities and 17 public health programs for the 55,000 people within this region. Sun Country health region contains approximately 350 public eating establishments.

> Food borne illnesses can sometimes result in long-term health problems. In two to three per cent of cases, these illnesses have long-term adverse consequences for the affected individuals and for the economy and society as a whole. Health Canada estimates that the annual cost related to food borne illnesses and related deaths is between 12 and 14 billion dollars. Health Canada and the Public Health Agency of Canada estimate that every year between 11 and 13 million Canadians suffer from illnesses caused by food borne bacteria.[1]

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[1] http://www.canfightbac.org/cpcfse/en/safety/safety_factsheets/foodborne_illness/

Public health inspectors employed by regional health authorities inspect public eating establishments to ensure public safety. These inspections are intended to ensure compliance with all terms and conditions required by the public eating establishment licenses including food protection.

Our audit objective, conclusion, and recommendation

Our audit objective was to determine whether Sun Country complied with the provisions of the following legislative and related authorities for the year ended March 31, 2007.

- *The Public Health Act, 1994* (Sections 10, 16, 18 and 19)
- *The Public Eating Establishment Regulations*
- *The Public Health Officer Regulations*
- Public Health Inspection Work Guide[2]: Administrative Program Guideline No. 01 (Public eating establishment sections)

Our examination was made in accordance with Canadian generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary.

In our opinion, Sun Country has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities for the year ended March 31, 2007 except Sun Country has not met the target timeframes for follow-up inspections.

The Public Health Inspection Work Guide sets out required timeframes for follow-up inspections when regional health authorities find that an eating establishment has not complied with food safety legislation or related authorities. The timeframes vary according to the severity (i.e., moderate or severe) of the food safety concerns found.

Sun Country has a system to track its inspections. This system captures the timing and results of all eating establishment inspections within its jurisdiction. Sun Country uses this information to plan future inspections including follow-up work where it has directed eating establishments to address concerns it found during annual inspections. Inspections, including the re-inspections of public eating establishments with critical

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[2] Prepared by Saskatchewan Health and the regional health authorities.

hazards are an integral element of Sun Country's efforts to prevent food-borne illnesses.

Sun Country completed 426 inspections during the year ended March 31, 2007 on the region's 350 public eating establishments with an overall inspection rate of 91% of the establishments.

We noted several instances where Sun Country did not meet the target timeframes for follow-up inspections. In 30 of its inspections, Sun Country found a moderate hazard rating. Sun Country did not meet the guideline requirement to follow up within six months for six of the 30 moderate hazard rated establishments. This increased the risk that the Region's residents could contract food borne illnesses.

1. We recommend that the Sun Country Regional Health Authority comply with the timeframes required by the Public Health Inspection Work Guide for re-inspections of eating establishments.

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IT security

11F

Providing information technology services to clients

The Health Information Solutions Centre (HISC) is a branch of the Department of Health. The Department uses HISC to develop and integrate health care information systems, support the use of information for health care planning and accountability, and manage the provincial network that links the Department and health regions, facilities, and agencies.[1]

HISC's clients include government agencies such as the regional health authorities, the Saskatchewan Association of Health Organizations, Saskatchewan Cancer Agency, as well as other health-related agencies in the province. According to the Department, at March 31, 2007, HISC hosted 35 systems for health regions and agencies, for example:

- Pharmacy Information System (PIP)
    - accessed by health care professionals to assist in identifying potential drug interactions and other prescription management activities
- Saskatchewan Immunization Management System (SIMS)
    - helps public health nurses across Saskatchewan provide immunization services to children
- Chronic Disease Management (CDM) System
    - used by participating primary care physicians to better manage the care of chronic disease patients
- Shared Client Index (SCI)
    - provides identification services for all patients who received care in a Saskatchewan hospital
- Saskatchewan Surgical Care Network (SSCN)
    - used to track surgical waiting times and provide the information necessary to allocate surgical resources and reduce patient wait times
- Integrated Clinical Systems
    - support the delivery of front-line services in hospital admitting, health records, pharmacy and laboratory departments as well as home care programs[2]

HISC has also begun to implement an electronic health record system intended to help health care providers share information (including

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[1] http://www.health.gov.sk.ca/about/ (05 Oct. 2007).
[2] http://www.health.gov.sk.ca/data-centre (05 Oct. 2007).

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pharmacy, digital imaging, and lab results) anywhere in Saskatchewan where residents seek treatment.[3]

To effectively support Department and client systems and their use, HISC needs adequate controls to protect its data centre and network. Unauthorized disclosure, loss, or inappropriate modification of information could harm individuals and larger population groups. Inaccurate or missing information would impede effective planning and decision making at the regional and provincial level. Inadequate controls to protect the availability of systems or information could interfere with providing much needed health services.

Audit objective and criteria

The objective of our audit was to assess whether the Health Information Solutions Centre of the Department of Health had adequate controls to protect the confidentiality, integrity, and availability of client information technology systems and data for the period March 1, 2007 to August 31, 2007.

We used criteria to assess the Department's processes. The criteria are based on the *Trust Services Criteria and Principles* authored by The Canadian Institute of Chartered Accountants and international standards, literature, and reports of other legislative auditors. The Department agreed with the criteria.

The criteria, set out in the exhibit below, describe the key processes that we expected the Department to use to secure client systems and data.

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[3] Department of Health Annual Report 2006-07, p.3.

Exhibit—Audit Criteria

To ensure the Department has adequate controls to protect the confidentiality, integrity, and availability of client information technology systems and data, it should:

1. **Show management commitment to security**

    1.1 Responsibility for security is clearly defined
    1.2 A threat and risk assessment has been performed
    1.3 Information technology planning supports security
    1.4 Management has approved security policies and procedures
    1.5 Management monitors security
    1.6 There are information technology service delivery contracts with clients

2. **Protect client systems and data from unauthorized access**

    2.1 User access controls protect the client systems from unauthorized access
    2.1 Physical security controls protect the data centre from unauthorized access

3. **Ensure client systems and data centre are available for operation**

    3.1 System and data backups occur and are tested
    3.2 Disaster recovery and business continuity plans are in place

4. **Ensure the integrity of client systems and data**

    4.1 Change management processes exist and are followed
    4.2 Computer operation processes exist and are followed

Throughout our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

While this audit focused on the Department's controls at the Health Information Solutions Centre, the confidentiality, integrity, and availability of client systems and data also require strong security controls at clients. For example, clients need good physical security processes to ensure only authorized users have access to their systems and data. Client security controls were not included in the scope of this audit. Both HISC and its clients must have strong security processes to avoid placing systems and data at risk. In Chapter 11C, we report on regional health authorities, which are clients of HISC.

Audit conclusion

Based on our examination at the Department against the above criteria, we reached the following conclusion.

The Health Information Solutions Centre of the Department of Health did not have adequate controls to protect the confidentiality, integrity, and availability of client information technology systems and data for the period March 1, 2007 to August 31, 2007.

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We describe our key findings in the following section.

Key findings by criterion

Show management commitment to security

Commitment includes setting up a strong organizational structure that clearly defines who is responsible for security. A strong information technology (IT) division is led by a member of senior management. It has a steering committee to ensure the IT division meets client needs. Commitment also includes implementing and monitoring compliance with security policies and procedures.

We note that HISC was undergoing significant organizational change during the period of our audit. This included the amalgamation of its main data centres and the reorganization of its information technology staff. The amended organizational structure clearly defines who is responsible for security.

HISC is led by a member of senior management. Management has a clear understanding of its security responsibilities. HISC has a committee for discussing IT issues with its clients.

HISC is in the process of updating and consolidating its security policies and procedures. It has drafted a security policy, based on international standards, to replace outdated policies. HISC has to implement its draft security policies and procedures. HISC also needs to share the policies and procedures throughout the branch so that staff are aware of their security responsibilities.

HISC management needs to improve how it monitors security. HISC set up a quality assurance group to help evaluate security controls. The quality assurance group should evaluate network security controls. Management could also monitor security by receiving regular security reports from staff or from independent reviews. Without effective monitoring processes, HISC may not identify weaknesses that could result in a security breach.

HISC uses service level agreements to manage client expectations. These agreements clearly set out the responsibilities of HISC and its

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clients. However, HISC is not meeting its service level commitments related to disaster recovery and protecting systems from security threats (firewall management).

1.   We recommend the Health Information Solutions Centre of the Department of Health approve and implement its draft security policies and procedures.

2.   We recommend the Health Information Solutions Centre of the Department of Health monitor the security of systems and data by reviewing regular reports on the adequacy of its controls.

3.   We recommend the Health Information Solutions Centre of the Department of Health meet its service level commitments to its clients related to firewall management and disaster recovery.

Protect client systems and data from unauthorized access

We expect HISC to have adequate physical access and user access processes that protect the clients' systems and data from unauthorized access.

Good physical controls means protecting IT infrastructure from harm. Physical access controls protect all computers, network devices, disk drives, backup devices, and wiring from unauthorized access. For example, HISC should physically prevent unauthorized users from entering its data centre.

User access controls ensure only approved people or processes can use an IT system. A common example of a user access control is a username and a password. The username identifies the user and the password grants access.

Protecting systems from unauthorized access is more critical with the increased use of the Internet, automated processes, and multiple clients using one data centre. HISC should protect the data centre by configuring, updating, and monitoring its systems against security threats.

HISC has good physical security controls for protecting its IT infrastructure. HISC secures its data centre with several layers of physical security that are designed to prevent unauthorized access. HISC has also implemented video surveillance processes for high security areas.

HISC has processes for granting and removing user access. HISC should follow its processes by ensuring only authorized users have access to systems and data. Inappropriate user access could result in disclosure, loss, or modification of the information hosted by HISC.

HISC should follow its defined password standards. For example, we identified over 200 accounts that were not set to expire. The passwords on these accounts are not changed on a timely basis and did not meet HISC's password standard. HISC also needs to make sure that administrator passwords follow standards and are appropriately secured.

4.   We recommend the Health Information Solutions Centre of the Department of Health follow its procedures for controlling user access to systems and data.

HISC has established a network architecture that could provide an appropriate foundation for secure service delivery. To provide secure service delivery, HISC needs to make sure computers and network equipment (e.g., firewalls, routers, and switches) are properly configured (i.e., set to operate appropriately), updated against known security threats, and effectively monitored.

HISC manages over 150 servers, 400 firewalls, and other computer equipment. HISC has not documented standard configurations for its computers and network equipment. Nor has it configured computers and network equipment appropriately. We found weaknesses with computers and network equipment that could result in unauthorized access to systems and data.

HISC should regularly update its computers and network equipment against known security risks. HISC has installed some security updates on computers. However, HISC does not follow adequate processes to identify needed updates and make timely changes. As a result, key computer updates have been missed and key network equipment has not been updated to address known security risks.

HISC also needs to effectively monitor all key computers and network equipment. HISC does monitor a network security device that is used to protect its data centre. However, HISC is not reviewing logs of other key equipment used to protect systems and data from security threats. Without adequate review of log information, HISC may not be able to detect network attacks or security breaches.

5. We recommend the Health Information Solutions Centre of the Department of Health protect systems and data from security threats by adequately configuring, updating, and monitoring its computers and network equipment.

Management told us that it plans to purchase additional equipment for updating and monitoring its systems and data. Management expects to have the equipment by March 31, 2008.

Ensure client systems and data are available for operation

We expect HISC to have strong processes to ensure client systems and data are available for operation when needed.

Even with good backup and recovery procedures, an agency may not be able to continue its operations if a major problem occurred. Therefore, agencies should have strong contingency plans to recover operations in the event of a disaster like a fire or flood. This includes building capacity, when cost effective, into systems so a disaster in one location will not cause applications to quit running at other locations where employees are still able to work.

HISC needs to improve its processes for backing up systems and data. This includes having documented system and data backup procedures.

HISC has agreed to have a disaster recovery plan for the data centre and client systems. The agreements require that HISC maintain and annually test the disaster recovery plan. The disaster recovery plan is not completed, is outdated, and has not been regularly tested. HISC needs an approved and tested disaster recovery plan for its data centre and client systems.

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HISC has been able to restore individual systems and data when required (for example, when files need to be restored or computers replaced). However, without an approved and tested plan, HISC does not know if it could restore systems and data in the event of a disaster. This could result in systems, data, and services being unavailable when needed.

6.   We recommend the Health Information Solutions Centre of the Department of Health have an approved and tested disaster recovery plan for systems and data.

Management told us that it has purchased additional equipment for data backup and plan to install it by March 31, 2008. Management has also begun to develop a revised disaster recovery plan for its data centre.

Ensure the integrity of the client systems and data

We expect HISC to have processes for maintaining the integrity of client systems and data by implementing strong change management and IT operation processes. The processes should ensure system changes are approved and tested before implementation. HISC also needs to ensure that it has strong processes for running and maintaining its data centre.

HISC has processes for making changes to systems and data. HISC needs to follow these processes by updating its systems against known security risks. HISC also needs to have strong processes for maintaining and monitoring systems and data. These findings are described earlier under the heading "Protect client systems and data from unauthorized access."

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Highways and Transportation

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Main points

Highways provides the public with critical transportation services such as snow plowing. A complete business continuity plan would help ensure it can provide these services in times of a disaster. Although it has started the development of such a plan, it does not have a complete plan. We continue to recommend that it have a complete business continuity plan.

Since April 2005, Highways have used the Information Technology Office to provide it with most of its information system services without a written agreement. An agreement is important so that each party clearly understands its responsibilities and Highways can effectively monitor the delivery of information technology services. Highways did not adequately control access to its computer network and needs to promptly remove network access from former employees.

Highways needs to take additional steps to make sure amounts paid to employees are accurate and properly authorized.

Introduction

This chapter contains the results of: our audits of the Department and its special purpose fund, the status of our 2005 recommendation related to the Department's processes to achieve planned outcomes, and an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented.

Highways and Transportation's (Highways) mandate is to optimize its contribution to Saskatchewan's social and economic development by operating, preserving, and guiding the development of the transportation system. Highways also provides Cabinet with analysis and advice on transportation policy.

The provincial transportation system includes more than 26,000 km of highways, 805 bridges, 18 northern airports, 12 ferries, and a barge on Wollaston Lake. This infrastructure is recorded at about $1.5 billion.

Highways is responsible for the Transportation Partnership Fund (Fund). For the year ended March 31, 2007, the Fund had revenues of $6.2 million, expenses of $2.1 million, and held net assets of $11.2 million.

Highways' website contains its annual reports, the Fund's audited financial statements, and other key publications and information about Highways (www.highways.gov.sk.ca).

Financial overview

Information about Highways' expenses and revenues appears in its 2006-2007 Annual Report. The following is a list of major programs and spending for the year ended March 31, 2007:

	Original Estimates[1]		Actual
	(in millions of dollars)		
Central management and services	$	17.4	$ 16.9
Preservation of transportation system		97.7	118.8
Operation of transportation system		78.7	82.9
Transportation policy		2.2	1.9
Machinery and equipment		7.5	7.4
Capital asset acquisition		(9.3)	(9.6)
Capital asset amortization		94.7	89.0
Infrastructure rehabilitation		42.2	37.7
Infrastructure enhancement		99.2	96.3
	$	430.3	$ 441.3

Highways does custom work on a cost recovery basis for municipalities, and other organizations. For the year ended March 31, 2007, it spent and recovered $4.2 million. In addition, it had revenues of $32.2 million of which $27.0 million was from the Federal Government under cost-share agreements.

Our audit conclusions and findings

In our opinion, for year ended March 31, 2007:

- Highways had adequate rules and procedures to safeguard public resources and comply with authorities governing its activities except for the matters reported in this chapter

- Highways complied with authorities governing its and the Fund's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter reported in this chapter

- the Fund's financial statements are reliable

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[1] Amounts reflect both vote 16 – Highways and Transportation and vote 17 – Highways and Transportation Capital.

Better control over employees' pay needed

Highways needs to better control employees' pay.

During the year, Highways reviewed its payroll costs during its review of monthly financial reports. However, Highways did not adequately review the accuracy of key payroll data for each pay period prior to paying employees. As a result, employees' pay has not been approved in accordance with *The Financial Administration Act, 1993*.

This weakness increases the risk that employees may be paid incorrect amounts.

1.   **We recommend that the Department of Highways and Transportation adequately review the payroll for accuracy prior to paying its employees to ensure that all employees' pay is approved in accordance with *The Financial Administration Act, 1993*.**

Management told us the following:
*   Highways completes an audit of payroll data after employees are paid or during data entry if interpretation of payroll guidelines is required.
*   Highways is working with the Department of Finance and the Public Service Commission to evaluate this recommendation.

Process to monitor user access to MIDAS HR/payroll required

Highways needs to monitor access to its computerized human resource and payroll system (i.e., the MIDAS HR/payroll system).

We identified an employee that management has assigned conflicting roles in the MIDAS HR/payroll system in April 2006 as part of this system's implementation. The conflicting roles were the ability to set up new staff in the systems and process time for them. Management had intended that the assignment be temporary. With these roles, the employee could create and pay fictitious employees. Management did not remove the conflicting roles as it had intended. Due to a lack of

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monitoring through the year, Highways did not identify the continuing conflicting access. Upon our notification, Highways changed the roles assigned to this employee to remove the conflict.

To detect and prevent inappropriate access of users to the human resource and payroll system, Highways needs to monitor roles assigned to users in the system.

2.   We recommend that the Department of Highways and Transportation monitor roles assigned to users in its human resource/payroll system.

In October 2007, management told us Highways has recently established a process to review roles assigned to staff for the MIDAS human resource and payroll system, and it had not encountered issues during 2006-07 related to conflicting roles assigned to the one individual.

Remove network user access from former employees

Highways needs to promptly remove access to its computer network from former employees.

During the audit, we identified 165 users with stale accounts (i.e., accounts where individuals with access had not accessed the network for an extended period). Highways noted most stale accounts related to seasonal staff laid off in the fall and rehired in the spring. After a review of stale accounts, Highways terminated approximately 100 user accounts. It determined the remaining accounts were valid as they were for current employees.

Not promptly removing access to the computer network increases the risk of inappropriate access. Highways' computerized systems contain sensitive information (e.g., information related to planning and tendering). Former employees (including seasonal staff) should not have access to this information.

3.   We recommend that the Department of Highways and Transportation promptly remove computer network access from former employees.

In October 2007, management told us Highways plans to obtain a report from the Information Technology Office to help it monitor accounts that have not accessed the system for 60 days.

Information technology agreement required

Highways needs a written agreement with the Information Technology Office (ITO) for services provided by ITO.

As reported in Chapter 20 of our 2006 Report – Volume 3, Highways relies on its information systems to monitor construction and maintenance costs, progress of work, and capital asset management throughout the province. Highways also relies on its information systems for accurate public reporting of its operations. Since April 1, 2005, Highways received certain information systems services from ITO without a written agreement. These services include:

♦   acquiring and maintaining infrastructure
♦   client support
♦   applications development and project management services

Highways remains responsible for the accuracy and completeness of its information systems and for the security and ongoing availability of these systems.

A written agreement with ITO is essential so Highways can effectively monitor the services ITO provides and take corrective or follow-up action as necessary.

4.   We continue to recommend that the Department of Highways and Transportation complete an agreement with the Information Technology Office for information technology services.

In October 2007, management told us Highways is in the final stages of negotiating an agreement with ITO to address its information technology business requirements.

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Business continuity plan required

As reported in Chapter 20 of our 2006 Report – Volume 3, Highways continues to need a written, tested, and approved business continuity plan to help ensure it can continue to provide critical services if a disaster occurs.[2][3]

Highways' critical services include highways maintenance such as snow plowing, airport operations for the 18 provincial airports, and road information services. Without an adequate business continuity plan, Highways risks not being able to provide its critical services in a timely manner.

Highways needs to: identify and rank its critical services, document the steps for recovery and restoration of critical services, and periodically update and test its business continuity plan.

5.   We continue to recommend that the Department of Highways and Transportation prepare a complete business continuity plan.

In October 2007, management told us that, as a part of its Enterprise Risk Management process, Highways has identified the need for a formal business continuity plan using the following three-phase approach
1.   conduct a business impact analysis
2.   development of business continuity plan(s)
3.   testing of the plans
Highways expects to complete the first phase this fall.

Managing for results–follow-up

In our 2005 report on the adequacy of Highways' processes to achieve planned outcomes,[4] we recommended that Highways analyze and report quarterly to executive managers on the department's progress toward planned outcomes.

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[2] Business continuity plan includes plans by an organization to respond to unforeseen incidents, accidents, and disasters that could affect an organization's critical operations or functions.

[3] Critical services are those that an organization must provide even when a disaster disrupts its ability to operate and provide normal services.

[4] See Chapter 10 - Managing for results in our 2005 Report – Volume 3.

At July 2007, Highways has implemented this recommendation and appropriately reports to its executive each quarter on its progress towards planned outcomes.

Status of outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on a recommendation previously made by the Standing Committee on Public Accounts (PAC) that is not yet implemented and is not discussed earlier in this chapter.[5]

PAC REPORT YEAR[6]	OUTSTANDING RECOMMENDATION	STATUS
2005	PAC concurs: 2-2 that the Department of Highways and Transportation should give the public additional information on its key plans related to highway condition, safety, and reliability, as well as comparisons of plans to actual results with any differences explained.	**Partially implemented** (as at March 31, 2007). No progress in year. The Department does not publish its targets. The Department continues to follow the Accountability Framework which does not require targets at this time.

[5] For the definitions of the key terms used in the table, see Chapter 25 – Standing Committee on Public Accounts pages 398 to 399.
[6] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

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Industry and Resources

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Main points

During 2006-07, we assessed the Department's progress in addressing the recommendations we made in 2003 for verifying producers' royalties and taxes, and in 2005 for identifying the Department's strategic risks.

We concluded that the Department has made progress in addressing our recommendations relating to the assessment and collection of all royalties and taxes due. However, it needs to do more to improve its:

- overall audit plan by including the estimated resources required to carry out the plan
- supervisory practices to ensure that audits are approved and carried out as planned

Also, the Department has made good progress identifying its strategic risks. Now, it needs to implement its established processes for identifying and quantifying the specific risks that it faces.

Introduction

The Department of Industry and Resources (Department) is responsible for stimulating business investment and promoting development of the province's resource sector. The Department is also responsible for the administration of *The Tourism Authority Act*.

The Department's mandate is "to achieve full and responsible development of Saskatchewan's energy, mineral and forestry resources, work with businesses to expand the Saskatchewan economy by promoting, co-ordinating, and implementing policies, strategies and programs that encourage sustainable economic growth, and to optimize revenues to fund government programs and services."[1]

The Department received $67.8 million from the General Revenue Fund for its programs. The following table shows the Department's major program spending and revenue.

Spending

	Original Estimates	Actual
	(Millions of dollars)	
Investment Programs	$ 44.2	$ 21.2
Non-Renewable Resources	16.4	15.3
Industry Development	7.7	7.7
Administration	8.1	12.9
Transfer to Tourism Saskatchewan	7.9	7.9
Transfer to Saskatchewan Trade and Export Partnership Inc.	2.8	2.8
	$ 87.1	$ 67.8

The Department's 2006-07 Annual Report explains the differences between the budget and actual amounts.

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[1] Saskatchewan. Department of Finance. (2007). *2006-2007 Saskatchewan Provincial Budget: Estimates.* Regina: Author. page 93.

Revenues

	Original Estimates	Actual
	(Millions of dollars)	
Natural Gas	$ 186.0	$ 165.1
Oil	989.8	1,318.9
Potash	279.1	161.7
Other	56.9	63.5
	$ 1,511.8	$1,709.2

The Department is also responsible for the Oil and Gas Environmental Fund (Fund). The purpose of the Fund is to provide a mechanism to clean up abandoned wells and respond to environmental problems associated with the exploration, development, production, and transportation of oil and gas.

In 2006-07, the Fund had revenue of $122,975 and no expenses. At March 31, 2007, the Fund held assets of $3.0 million. The Fund's financial statements are included in its annual report.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2007:

- The Department had adequate rules and procedures to safeguard public resources except for the matter reported below.

- The Department complied with the authorities governing its activities and the activities of the Fund regarding financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except that the Department made payments to NewGrade Energy Inc. without authority.[2]

- The financial statements of the Oil and Gas Environmental Fund are reliable.

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[2] See Appendix 2, page 2-11.

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In this chapter, we also describe results of our follow up work relating to our past recommendations. In 2003, we made recommendations to improve the Department's processes to accurately assess and collect royalties and taxes. Also in 2005, we made recommendations to improve the Department's processes to identify strategic risks.

Better control over employees' pay needed

The Department needs to better control employees' pay.

During the year, the Department reviewed its payroll costs during its review of monthly financial reports. However, the Department did not adequately review the accuracy of key payroll data for each pay period prior to paying employees. As a result, employees' pay has not been approved in accordance with *The Financial Administration Act, 1993*.

This weakness increases the risk that employees may be paid incorrect amounts.

1. We recommend that the Department of Industry and Resources adequately review the payroll for accuracy prior to paying its employees to ensure that all employees' pay is approved in accordance with *The Financial Administration Act, 1993*.

Follow up

Procedures to verify producers' royalties and taxes

In Chapter 4 of our 2003 Report –Volume 1, we assessed the adequacy of the Department's procedures to accurately assess and collect all royalties and taxes due to the Department and made the following three recommendations:

1. We recommend that the Department prepare an overall audit plan that ensures the accurate assessment and collection of all royalties and taxes due to the Department.

2. We recommend that the Department develop and implement a formal training/learning plan for its auditors.

3.   We recommend that the Department improve its supervisory practices to ensure that audits are approved and carried out as planned.

The Standing Committee on Public Accounts (PAC) considered these matters in June 2004 and agreed with these recommendations.

As at August 31, 2007, the Department has implemented the second recommendation and has made significant progress in implementing the first and third recommendations.

The Department now prepares an overall annual audit plan. It includes an assessment of risks that helps ensure there is adequate audit coverage of all royalties and taxes. The plan, however, does not include estimated resources (i.e., budgets) required to carryout the plan. To properly manage the plan, the Department should estimate resources it needs to carry out the plan, what resources are available, and what changes it must make without compromising the objectives of the plan.

The Department has improved its supervisory practices for ensuring audits are approved and carried out as planned. However, not all audits that we reviewed had evidence of a supervisory review. The lack of supervisory reviews increases the risk that audits may not be properly carried out and/or key findings correctly reported.

We continue to recommend that the Department prepare an overall audit plan that ensures the accurate assessment and collection of all royalties and taxes due to the Department.

We continue to recommend that the Department improve its supervisory practices to ensure that audits are approved and carried out as planned.

Processes to identify strategic risks

In Chapter 10 of our 2005 Report –Volume 1, we assessed the adequacy of the Department's processes to identify strategic risks and made the following recommendations:

♦   We recommend the Department of Industry and Resources use systematic processes to detect risks to all its objectives.

♦ We recommend the Department of Industry and Resources quantify the likelihood and impact of strategic risks to identify priorities.

PAC considered these matters in June 2005 and agreed with these recommendations.

As at August 31, 2007, the Department has made good progress in addressing these two recommendations. The Department has provided formal training to staff in risk management. Also, it has established processes for identifying and quantifying risks. It is one of five departments working with the Performance Management Branch of the Department of Finance in piloting risk management approaches. However, the Department has not yet implemented its established processes for identifying and quantifying the specific risks that it faces. Management told us for its 2008-09 planning cycle, the Department plans to do so.

We continue to recommend that the Department of Industry and Resources use systematic processes to detect risks to all its objectives and to quantify the likelihood and impact of strategic risks to identify priorities.

Information Technology Office

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Main points

The Information Technology Office (ITO) provides information technolo(gy) (IT) services to client departments. During the year, ITO did not adequately review and approve payroll prior to paying its employees. Also, ITO needs signed service level agreements with its clients prior to delivering information technology services.

As a service provider and custodian of client information systems and data, ITO must have controls to protect the confidentiality, integrity, and availability of client IT systems and data. ITO has adequate controls to protect client IT systems and data except ITO needs to:

♦ follow its security policies and procedures
♦ protect its systems and data from security threats
♦ implement a disaster recovery plan for its data centre and client systems

Introduction

The Information Technology Office Regulations established the Information Technology Office (ITO) as a department. The mandate of ITO includes: "to develop, promote, and implement policies and programs of the Government of Saskatchewan relating to information technology and information management."[1]

For further details regarding ITO's mandate and operations, consult its publications at its website at www.ito.gov.sk.ca.

Financial overview

The following is a list of ITO's major programs and spending including capital acquisitions. For further detail, see ITO's 2006-2007 Annual Report available on its website.

	Estimates[2]	Actual
	(in thousands of dollars)	
Central Management and Services	$ 1,761	$ 1,965
IT Coordination and Transformation Initiatives	4,977	4,814
Major Capital Asset Acquisitions	425	359
Interdepartmental Services[3]	0	(100)
	$ 7,163	$ 7,038

Audit conclusions

The following are our audit conclusions for the fiscal year ending March 31, 2007.

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[1] *The Information Technology Office Regulations,* s. 3(b).

[2] *Public Accounts 2006-2007: Estimates,* p.99. The amounts include Supplementary Estimates of $1,468,000 (from *2006-07 Supplementary Estimates – November* and *2006-07 Supplementary Estimates - March*).

[3] ITO provides IT services to client departments on a cost recovery basis. The total billed to client departments for 2006-07 was $42 million.

In our opinion:

- ITO had adequate rules and procedures to safeguard public resources except for the matters described in this chapter

- ITO complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter

In this chapter, we also report the results of our ITO security audit. We looked at ITO's controls to protect the confidentiality, integrity, and availability of client IT system and data.

The chapter also provides an update on a recommendation previously made by the Standing Committee on Public Accounts (PAC) that is not yet implemented.

Better control over employees' pay needed

ITO needs to better control employees' pay.

During the year, ITO reviewed its payroll costs during its review of monthly financial reports. However, ITO did not adequately review the accuracy of key payroll data for each pay period prior to paying employees. As a result, employees' pay has not been approved in accordance with *The Financial Administration Act, 1993*.

This weakness increases the risk that employees may be paid incorrect amounts. For example, we noted one instance where an ITO employee was overpaid by about $120,000. ITO recovered this money from the individual.

1. We recommend that the Information Technology Office adequately review the payroll for accuracy prior to paying its employees to ensure that all employees' pay is approved in accordance with *The Financial Administration Act, 1993*.

Signed service level agreements required

Service level agreements set out the roles and responsibilities of both ITO and the client for delivery of IT services. The agreements describe the services to be provided by ITO, service availability requirements (such as the percentage of time networks will be available), service delivery targets (such as establishing new email accounts within five days), and the term of the agreement.

Service level agreements should be in place before ITO provides services to clients so that ITO and its clients understand their respective roles and responsibilities. However, most departments obtain services from ITO before signing an agreement. By doing so, they receive services without adequate assurance that the services, costs, and security they will receive will meet their needs. Departments are subsequently signing agreements as they document their service level expectations. Without signed service level agreements, there is risk that there may not be appropriate agreement on all matters and that client needs may not be met.

As of March 31, 2007, ITO had signed service level agreements with 9 of its 16 clients. The remaining seven departments are negotiating service level agreements with ITO.

We reported this matter in our 2005 Report – Volume 3 and in our 2006 Report – Volume 3. The Standing Committee on Public Accounts (PAC) considered this matter in May 2006 and agreed with our recommendation.

We continue to recommend that ITO sign service level agreements with its clients prior to delivering information technology services.

ITO security audit

Providing information technology services to clients

ITO delivers information technology (IT) services that government agencies previously managed for themselves. These IT services include operating and managing IT infrastructure (networks and servers), ensuring data security, providing help desk services, developing IT applications, providing project management expertise on all IT projects,

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as well as managing, procuring, and distributing IT hardware and software. Through consolidation of information technology services, the Government intends to reduce IT costs, improve the efficiency and effectiveness of IT service delivery, enhance security, use IT to transform internal business processes, and improve citizen/business service delivery.[4]

Responsibility for security

Information technology has become an integral part of delivering many government programs and services. To deliver services effectively and achieve objectives, government agencies need to know that their IT systems and data are secure. That is, they need to know that processes are in place to protect the confidentiality, integrity, and availability of their systems and data.

As a service provider and custodian of client information systems and data, ITO requires adequate processes to protect IT security. ITO implemented an IT data centre in May 2005. The data centre stores client data and the hardware and software necessary to run client systems.

As systems and data are consolidated in one data centre, the potential impact of a security breach increases. Therefore, it is critical that ITO has adequate processes to secure the data centre and data network.

While this audit focused on ITO's controls, the confidentiality, integrity, and availability of client systems and data also require strong security controls at clients. For example, clients need good physical security processes to ensure only authorized users have access to their systems and data. We did not include client security controls in the scope of this audit. However, we are aware of security weaknesses at some clients. For example, not all clients inform ITO to remove access to staff who are no longer their employees. Until both ITO and its clients have strong security processes, client systems and data are at risk.

Audit objective and criteria

The objective of our audit was to assess whether ITO had adequate controls to protect the confidentiality, integrity, and availability of client

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[4] Information Technology Office, *Performance Plan 2007-08*, p. 1, 8.

information technology systems and data for the period October 1, 2006 to March 31, 2007.

We used criteria to assess ITO's processes. The criteria are based upon the *Trust Services Criteria and Principles* authored by The Canadian Institute of Chartered Accountants and international standards, literature, and reports of other legislative auditors. ITO agreed with the criteria.

The criteria, set out in the exhibit below, describe the key processes that we expected ITO to use to secure client systems and data.

Exhibit—Audit Criteria

To ensure ITO has adequate controls to protect the confidentiality, integrity, and availability of client information technology systems and data, ITO should:

1. **Show management commitment to security**

    1.1 Responsibility for security is clearly defined
    1.2 A threat and risk assessment has been performed
    1.3 IT planning supports security
    1.4 Management has approved security policies and procedures
    1.5 Management monitors security
    1.6 Management has IT service delivery contracts with clients

2. **Protect client systems and data from unauthorized access**

    2.1 User access controls protect the client systems from unauthorized access
    2.2 Physical security controls protect the data centre from unauthorized access

3. **Ensure client systems and data centre are available for operation**

    3.1 System and data backups occur and are tested
    3.2 Disaster recovery and business continuity plans are in place

4. **Ensure the integrity of client systems and data**

    4.1 Change management processes exist and are followed
    4.2 Computer operation processes exist and are followed

Throughout our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Audit conclusion

We found that ITO had adequate controls to protect the confidentiality, integrity, and availability of client information technology systems and data for the period October 1, 2006 to March 31, 2007 except for the matters described in the recommendations below.

Key findings by criterion

Show management commitment to security

Commitment includes setting up a strong organizational structure that clearly defines who is responsible for security. A strong IT division is led by a member of senior management. It has a steering committee to ensure the IT division meets client needs. Commitment also includes implementing and monitoring compliance with security policies and procedures.

ITO has set up an effective IT organizational structure for securing the ITO data centre. A member of senior management leads IT operations. Senior management meets regularly to discuss IT operations and client issues. ITO has set up processes for integrating clients that join ITO. ITO also attends client steering committee meetings.

ITO has implemented adequate IT security policies and procedures. ITO has also performed quality assurance tests. For example, ITO tested physical and user access processes during the audit period. Senior management receives information on quality assurance work performed.

ITO is working with clients to have them implement and monitor security policies and procedures.

Protect client systems and data from unauthorized access

We expect ITO to have adequate physical access and user access processes that protect the clients' systems and data from unauthorized access.

Good physical controls means protecting IT infrastructure from harm. Physical access controls protect all computers, network devices, disk drives, backup devices, and wiring from unauthorized access. For example, ITO should physically prevent unauthorized users from entering its data centre.

User access management means protecting information in the IT system from unauthorized access. Access management is more critical with the

increased use of the Internet, online approvals, automated processes, and multiple clients using one data centre.

User access controls ensure only approved people or processes can use an IT system. A common example of a user access control is a username and a password. The username identifies the user and the password grants access. The clients determine who should have access to their systems and data. The client then relies on ITO to make user access changes that it requests.

The access controls must also establish access rights. Access rights determine what systems, information, and applications a user can see or use. Access rights can also segregate duties within an application.

ITO has good physical security controls for protecting its IT infrastructure. ITO has several layers of physical controls that are designed to ensure that unauthorized users do not obtain access to ITO data centre. ITO also has video surveillance processes for monitoring high security areas.

ITO has adequate processes for granting and removing user access as requested by clients. ITO has also implemented a process for identifying stale user accounts starting in January 2007. A user account is stale if not used for over 60 days. The new process identified over 300 stale accounts at clients. ITO is following up with clients to identify what accounts need to be disabled or removed.

ITO has processes for protecting its network. For example, ITO has implemented processes that are designed to prevent unauthorized users from entering its systems remotely. ITO also has processes that can detect inappropriate or suspicious activity inside of its network. We found ITO was not monitoring the above processes to protect its network. As a result, ITO may not identify attempted or successful security breaches.

ITO does not ensure that clients follow its security policies and procedures. This could lead to security weaknesses at a client that would allow an inappropriate user to gain access to the ITO network. While ITO has designed processes to limit inappropriate access, it needs to follow its network monitoring processes. ITO also needs to protect itself from security threats by periodically testing the effectiveness of its security processes and by monitoring the processes followed by clients.

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We reported this matter in our 2006 Report – Volume 3. PAC considered this matter in April 2007 and agreed with our recommendations.

We continue to recommend the Information Technology Office follow its security policies and procedures.

We continue to recommend the Information Technology Office protect its systems and data from security threats.

Ensure client systems and data are available for operation

We expect ITO to have strong processes to ensure client systems and data are available for operation when needed.

Even with good backup and recovery procedures, an agency may not be able to continue its operations if a major problem occurred. Therefore, agencies should have strong contingency plans to recover operations in the event of a disaster like a fire or flood. This includes building capacity, when cost effective, into systems so a disaster in one location will not cause applications to quit running at other locations where employees are still able to work.

The availability of client systems and data requires strong processes at both ITO and clients. ITO needs to have processes to ensure it can restore its data centre. Clients need to identify their disaster recovery requirements to ensure ITO can develop adequate plans to restore its systems.

ITO has backup procedures and does backups daily. To help ensure backups will be available in the event of a disaster, ITO stores backups offsite.

ITO has developed and approved a disaster recovery plan for its data centre. The plan defines who can activate the plan, identifies staff roles and responsibilities, and includes documentation on systems and recovery processes. ITO carried out a limited test of the disaster recovery plan just before the end of the audit period. ITO needs to do further testing and training to ensure the plan will work as required.

ITO needs to recover its systems and data before it can start to recover client systems. ITO plans to develop a disaster recovery plan to ensure it can restore systems and data based on client needs. However, most clients have not yet identified their disaster recovery needs. Therefore, neither ITO nor clients know whether systems and data can be restored when needed in the event of a disaster. This could result in systems, data, and services being unavailable to the Government and the people of Saskatchewan.

We reported this matter in our 2006 Report – Volume 3. PAC considered this matter in April 2007 and agreed with our recommendation.

We continue to recommend the Information Technology Office have a disaster recovery plan for its data centre and client systems.

Ensure the integrity of the client systems and data

We expect ITO to have processes for maintaining the integrity of client systems and data by implementing strong change management and IT operation processes. The processes should ensure system changes are approved and tested before implementation. ITO also needs to ensure that it has strong processes for running and maintaining its data centre.

ITO has adequate change management policies and procedures. These change control processes include documenting, testing, approving, and moving changes from the test environment to operations. ITO has a change management committee that meets regularly to review and approve all changes.

Selected references

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International Organization for Standardization. (2005). ISO/IEC 17799:2005(E). *Information technology – Code of practice for information security management; 2nd Edition*. Geneva: Author.

The Information Systems Audit and Control Foundation. (2005). *CoBiT-governance, control and audit for information and related technology; 4th Edition*. Rolling Meadows, IL: Author.

Status of outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on a recommendation previously made by the Standing Committee on Public Accounts (PAC) that is not yet implemented and is not discussed earlier in this chapter.[5]

PAC REPORT YEAR[6]	OUTSTANDING RECOMMENDATION	STATUS
2007	PAC concurs: 8-2 that the Information Technology Office should sign agreements with its clients on security and disaster recovery processes, expectations, and reporting requirements.	**Partially implemented** (as at September 30, 2006). A follow-up is planned for 2008-09.

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[5] For the definitions of the key terms used in the table, see Chapter 25 – Standing Committee on Public Accounts pages 398 to 399.
[6] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

Justice

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Main points

The Department of Justice (Justice) needs to improve its processes to track, enforce, and collect fines. Justice does not know if it has enforced all fines and charges.

Justice needs to control employees' pay. It needs to charge municipalit for the cost of policing services in accordance with *The Police Act. 199* and test its business continuity plan.

We also report that at March 31, 2007, the Saskatchewan Financial Services Commission (Commission) did not have adequate processes investigate complaints by the investing public. The Commission needs establish a formal system to properly allocate investigative resources, monitor investigations, and establish standards for planning, conducting and reviewing investigations of complaints from the investing public. It should also set performance targets to help measure progress towards objectives. It should require and review sufficient information about investigations of complaints from the investing public to carryout its responsibilities.

We assessed the Superintendent of Pension's progress towards addressing our past recommendations for regulating pension plans we made in 2005.

The Superintendent has fully addressed two of our recommendations a made progress towards the other two. It has broadened its document requirements and guidance for registration and amendment of pension plans and developed alternative ways to obtain information from pensic plan administrators. The Superintendent needs to do more work to expand its analysis of pension plan risks, and prepare a risk-based wor plan to supervise pension plans.

Introduction

The mandate of the Department of Justice (Justice) is to uphold the rule of law, protect basic legal rights of citizens, and ensure good and proper administration of justice.[1] Justice provides legal services for the Government, as well as justice and police services for the people of Saskatchewan. Justice also administers registry systems for corporations and local registrars, and regulates pensions, credit unions, and businesses.

The Government's summary financial statements show expenses of $400 million for the year ended March 31, 2007 for the protection of persons and property. The following table shows the total government expenses for protection of persons and property.

	2007	2006
	(in millions of dollars)	
Department of Justice	$ 238	$ 217
Department of Corrections and Public Safety	163	140
Less expenses by Justice and Corrections for purposes other than the protection of persons and property	(61)	(59)
Information Services Corporation of Saskatchewan	37	36
Department of Labour	15	15
Other government agencies	8	7
	$ 400	$ 356

For the year ended March 31, 2007, Justice spent $238 million on its programs and earned revenues of $61 million. Information about Justice's revenues and expenditures appears in Justice's 2006-2007 annual report (see http://www.justice.gov.sk.ca/annual-reports).

[1] *Saskatchewan Justice. 2006-2007 Annual Report.* pg. 4

The following is a list of Justice's major programs and spending:

	Original Estimates [2]		Actual	
	(in millions of dollars)			
Community justice	$	120	$	121
Courts and civil justice		41		43
Marketplace regulation		5		5
Central management and services		22		23
Legal and policy services		21		21
Boards and commissions		23		25
	$	232	$	238

Justice is also responsible for the operations of several trust and special purpose funds and Crown agencies with years ending March 31, 2007. These include:

Law Reform Commission of Saskatchewan
Office of Residential Tenancies – Director's Trust Account
Provincial Mediation Board Trust Account
Public Guardian and Trustee of Saskatchewan
Queen's Printer Revolving Fund
Saskatchewan Legal Aid Commission
Staff Pension Plan for Employees of the Saskatchewan Legal Aid
        Commission
Trust Accounts at Court Houses, Local Registrars, and Sheriff's Offices
Victims' Fund

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[2] Saskatchewan Finance. *Saskatchewan 2006-07 Budget Estimates*. The Estimates' total does not include the additional $4 million authorized through the *2006-07 Saskatchewan Provincial Budget – Supplementary Estimates – November* and the additional $2 million authorized through the *2006-07 Saskatchewan Provincial Budget – Supplementary Estimates* for Justice (Vote 3).

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2007:

* Justice and its agencies had adequate rules and procedures to safeguard public resources except as described in this chapter

* Justice and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except as described in this chapter

* the financial statements for the agencies and funds are reliable

This chapter also includes the results of our audit of the Saskatchewan Financial Services Commission's processes to investigate complaints by the investing public. We also include the results of a follow-up of the Superintendent of Pensions' progress to address our past recommendations.

System to enforce and collect fines needs improvement

Justice is responsible to track, enforce, and collect fines for offences under various provincial and federal laws. The purpose of a deterrent, such as a fine or jail, is to discourage the public from violating the law. If deterrents are not enforced, they will not be effective. Without effective deterrents, our communities will be less safe.

Justice's processes for administering fines include:

* controlling the distribution and receipt of tickets to and from law enforcement agencies
* ensuring the accurate and complete recording, tracking, and enforcement of tickets
* controlling the recording and receipt of fine payments
* collecting unpaid fines

Justice told us that law enforcement agencies issue between 130,000 and 150,000 tickets each year.

In this section, we describe weaknesses in Justice's processes to record issued tickets and collect unpaid fines.

Recording, tracking, and enforcement of tickets

Justice needs to improve its processes for the receipt of tickets and informations. Informations are charges or complaints made under *The Criminal Code of Canada*. Improvements in processes are necessary so that Justice properly enforces fines and criminal charges. Several provincial government agencies, as well as other levels of government (i.e., federal and municipal), rely on Justice to enforce fines and charges issued under various provincial and federal laws.

For purposes of this chapter, we refer to tickets and informations as tickets. Tickets may result in either fines or criminal charges. We expected Justice to have processes to know the tickets issued by law enforcement agencies and the unissued tickets.

We also expected Justice to have cost-effective processes to track tickets directly or require law enforcement agencies to provide it with periodic reports on their tracking of tickets.

Effective April 1, 2006, Justice implemented a policy requiring law enforcement agencies to return all issued, spoiled, or voided tickets. However, Justice has not implemented a process to determine if law enforcement agencies return all tickets. As a result, Justice does not know if it has enforced all fines and criminal charges. This lack of rules and procedures could result in Justice not achieving its goals of safer communities and upholding the rule of law.

On February 18, 2002, the Standing Committee on Public Accounts (PAC) considered this matter and agreed with our recommendation.

We continue to recommend that Justice strengthen its procedures to ensure that Justice records the tickets issued by law enforcement agencies.

Collection of unpaid fines

For several years, we made recommendations that Justice improve its procedures for collecting court-ordered fines. Justice has implemented all but one of these recommendations.

In January 1999, PAC recommended that procedures be developed to ensure that when repeat offenders appear in court, the sentencing judge will be informed if previous fines are unpaid.

Justice has implemented changes to its fines administration system (JAIN) to prepare outstanding fine reports and make them available to prosecutors when an offender with outstanding fines appears in court on *Criminal Code* matters. However, Justice has not implemented processes to provide prosecutors with reports of outstanding fines when an offender with outstanding fines appears in court related to matters under provincial laws.

We continue to recommend that Justice ensure that when repeat offenders appear in court, Justice informs the sentencing judge of any unpaid fines.

Better control over employees' pay needed

The Justice needs to better control employees' pay.

During the year, Justice reviewed its payroll costs during its review of monthly financial reports. However, Justice did not adequately review the accuracy of key payroll data for each pay period prior to paying employees. As a result, employees' pay has not been approved in accordance with *The Financial Administration Act, 1993*.

This weakness increases the risk that employees may be paid incorrect amounts.

1.   We recommend that the Department of Justice adequately review the payroll for accuracy prior to paying its employees to ensure that all employees' pay is approved in accordance with *The Financial Administration Act, 1993*.

Compliance with *The Police Act, 1990* needed

Justice needs to comply with legislative authorities when charging municipalities for the cost of policing services.

The Police Act, 1990 (Act) allows Justice to provide policing services to municipalities that meet the criteria under the Act. The Act states that Justice will charge participating municipalities for the cost of these policing services in accordance with *The Police Regulations* (Regulations). Section 7 of the Regulations sets out the rate per capita that Justice must charge municipalities for the annual cost of policing services.

In 2006-07, Justice did not use the rates set out in the Regulations to charge municipalities for the cost of policing services. Therefore, some municipalities overpaid a total of $0.7 million, while others underpaid a total of $1.2 million.

2.   We recommend that the Department of Justice charge municipalities for the cost of policing services in accordance with *The Police Regulations*.

The Department of Justice told us the per capita rates charged to municipalities for the cost of police services were approved in the 2006-07 Budget. It told us that in February 2006, the Department of Justice had informed municipalities of the approved per capita rates and all municipalities paid for policing services based on the approved rates. The Department of Justice told us it will be recommending amendments to the Regulations at the earliest opportunity to ensure the Regulations reflect the amount paid by municipalities.

Business continuity plan needs to be tested

Justice needs to test its business continuity plan (BCP) [3] to help ensure that it can continue to deliver its critical services in the event of a disaster.

Justice identified its critical services and developed plans for them. Justice has approved its BCP, but has not yet tested it.

Justice told us that it plans to test its BCP during 2008. Starting April 2007, Justice began to use the Information Technology Office (ITO) for its information technology (IT) service delivery. To test its business continuity plan, Justice will need to consider any impacts from ITO providing IT services.

On February 6, 2006, PAC considered this matter and agreed with our recommendation.

We continue to recommend that the Department of Justice complete and implement its business continuity plan.

Saskatchewan Financial Services Commission

The Securities Act, 1988 (Act) provides protection to investors, fosters fair, efficient capital markets, and strengthens investor confidence in capital markets. The Saskatchewan Financial Services Commission (Commission) is responsible to administer the Act. The Commission is made up of six members appointed by Cabinet. When we refer to the Commission, we mean these members as well as the organization that they oversee. Members of the Commission are responsible to establish processes to meet the objectives of the Act.

The Commission is responsible for administering Saskatchewan securities law and regulating trading in securities (i.e., stocks, bonds, and

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[3] **Business Continuity Plan** (BCP)-Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

Disaster Recovery Plan (DRP)-Plan by an organization to respond to unforeseen incidents, accidents and disasters that could affect the normal operation of a computerized system (also known as **Contingency Plan**) A DRP or contingency plan is only one component of the Business Continuity Plan.

units in mutual funds). The Commission registers companies and individuals who trade in securities, reviews disclosure documents that must be provided to investors, and grants exemptions from securities laws. It also enforces Saskatchewan securities laws by setting investigation and enforcement policies, investigating complaints, hearing matters, and taking enforcement action related to violations of securities law.

The Commission relies on complaints from the investing public as a key mechanism to detect breaches of securities law because investors are close to the financial matters in question. The Commission uses its Securities Division to investigate these complaints.

The Act sets out the enforcement actions available to the Commission. As of July 1, 2007, the maximum penalty under the Act is a fine of $5 million and/or imprisonment for a term of five years (previously, $1 million and two years). To seek these penalties, the Commission must prosecute the alleged securities violation in Provincial Court. The Commission also has many other remedies under the Act, such as holding a formal hearing to impose an administrative penalty to a maximum of $100,000 plus the costs of the hearing, issuing a cease trade order, or imposing a ban from the industry. During the past five years, the Commission opened over 600 files in response to complaints from the investing public.[3] Over that same period, the Commission issued 29 temporary cease trade orders and held five hearings.[4] The Commission advises that there have been three prosecutions under the Act in Provincial Court since 1988.

According to the Commission's records for the past five years, enforcement cases in Saskatchewan involved over $5 million in investor losses due to investment fraud. The Commission told us it thinks this is a small portion of actual losses.

The Commission reports possible violations of the *Criminal Code of Canada* to the police so that they can take appropriate action under criminal law.

The Commission has agreements (i.e., recognition orders pursuant to the Act) to work with self-regulatory organizations (e.g., the Investment

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Dealers Association of Canada (IDA) and the Mutual Fund Dealers Association of Canada (MFDA)). These organizations have powers to sanction their own members under their membership rules. However, these sanctions are less severe than those available to the Commission under the Act. These organizations must report to the Commission all complaints they receive from the investing public. The Commission can refer complaints to these organizations regarding their members for investigation and enforcement. However, the Commission cannot delegate its responsibility to enforce the Act, so it must monitor whether the organizations adequately address complaints referred to them and determine if the Commission requires any further enforcement action.

If the Commission does not have adequate processes to investigate and address complaints received, investors may experience further financial losses, investor confidence in the capital markets may lessen, and inefficiencies could develop in the capital markets. There is also a risk that the Government could face litigation if citizens conclude that the Commission had not adequately performed its regulatory duties.

Our audit objective and conclusion

The objective of our audit was to assess whether the Saskatchewan Financial Services Commission had adequate processes at March 31, 2007 to investigate complaints by the investing public. We did not examine investigations to determine if we agreed with the conclusions reached. Throughout our audit, we followed the *Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

We used criteria to assess the Saskatchewan Financial Services Commission's processes. We based our criteria on international literature and the work of other auditors listed in the selected references. The Saskatchewan Financial Services Commission agreed with the criteria.

The criteria, set out in the exhibit below, describe the key processes that we expected the Saskatchewan Financial Services Commission to use to investigate complaints by the investing public.

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Exhibit —Audit criteria for processes to investigate complaints

> To have adequate processes to investigate complaints by the investing public, the Saskatchewan Financial Services Commission should:
>
> 1. Determine which complaints to investigate
>   1.1. ensure staff are qualified
>   1.2. track complaints
>   1.3. screen complaints (i.e., prioritize)
>
> 2. Conduct the investigation
>   2.1. plan the investigation
>   2.2. document results of the investigation (e.g., decisions reached)
>   2.3. take corrective action
>   2.4. maintain independence of investigations
>
> 3. Monitor the effectiveness of securities complaints process
>   3.1. set objectives
>   3.2. set targets
>   3.3. report results regularly

Based on our examination at the Saskatchewan Financial Services Commission against the above criteria, we reached the following conclusion.

At March 31, 2007, the Saskatchewan Financial Services Commission did not have adequate processes that met all of the criteria set out above to investigate complaints by the investing public.

Key findings (by criterion) and recommendations

We describe below what we expected (in italics) and our key findings for our three criteria, together with our recommendations.

Determine which complaints to investigate

We expected the Commission to ensure employees have the necessary qualifications to investigate complaints. We expected the Commission to track complaints received from the investing public to ensure it addresses all complaints adequately. We expected complaints would be screened (i.e., prioritized) to ensure timely attention to the most serious complaints.

The Commission must have the ability to determine which complaints to investigate and to conduct adequate investigations. The Commission uses job descriptions to set out key competencies that employees

require. The Commission hires investigators with varying backgrounds (e.g., former police investigators, financial professionals) to get a range of knowledge and skills. Investigators receive orientation at the start of their employment. The Commission has a training policy and provides training opportunities to develop and maintain employees' competencies.

The Commission uses a computer system to record all the complaints it receives. The Commission receives complaints directly from the public and through other agencies, such as securities regulators in other jurisdictions, self-regulatory organizations, and the police.

The Commission sets some guidance (i.e., factors to consider) for investigators to use when assessing which complaints to investigate directly, which complaints to refer to a self-regulatory organization, and which complaints it will not investigate. It also provides some guidance for re-evaluating which cases it should focus on over time.

The Commission, however, had no formal system for prioritizing complaints to investigate. Prioritizing complaints helps to ensure the Commission applies its investigative and enforcement resources on a timely basis to where they are most needed. For example, although the Commission may inform the police of possible violations of the *Criminal Code*, it remains responsible under the Act to know that sufficient enforcement action occurs to protect investors. The Commission must consider cases referred to the police in its on-going process to prioritize all complaints received.

3.   We recommend the members of the Saskatchewan Financial Services Commission establish a formal system to focus investigative resources on timely attention to the most significant complaints.

Conduct the investigation

We expected the Commission to have processes to plan investigations and document the results of investigations. These processes should ensure that investigations are independent. We expected the Commission to provide guidance to employees for recommending appropriate corrective action. We anticipated that the rationale for corrective actions would be documented and the actions approved. We also expected

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employees would follow up as necessary regarding corrective actions, including monitoring that self-regulatory organizations took appropriate corrective action for referred files.

The Commission does not have formal standards for conducting investigations. Formal standards help to ensure sufficient and appropriate evidence exists to support decisions and the timely completion of investigations. The Commission's investigators do not formally plan each investigation. The Commission sets some guidelines for conducting investigations, but has no documented procedures to assist investigators with the investigation. Enforcement staff discuss steps for each case on an informal basis.

The Commission does not set timeframes for doing investigations. Cases sometimes remain open for long periods without any investigative activity. When investigations of significant cases are not timely, further investor losses or difficulty obtaining evidence may result. This contrasts with the Commission's expectations for self-regulatory organizations to set timeframes for their investigations of complaints.

The Commission has an adequate conflict of interest policy to help ensure that members of the Commission and employees remain independent. Members and employees complete a conflict of interest sign-off at the start of their appointment or employment. They also confirm their independence annually. In addition, members and employees must disclose any conflicts that arise in any matter assigned to them.

The Commission does not have a policy for management not directly involved in the investigation to review and approve case files. Without independent review and approval of case files, the Commission risks reaching inappropriate conclusions or decisions. Management told us that it reviews all investigators' case files before closing the files. However, we found several cases with no evidence of review.

The Commission must monitor cases it refers to self-regulatory organizations (e.g., the IDA and the MFDA) because the Commission cannot delegate its responsibilities to enforce the Act. The Commission told us for each referred case, its investigators review investigation reports prepared by these organizations. The Commission, however, has

not set policies or procedures for conducting these reviews. We found several cases where the Commission did not document if it agreed or disagreed with conclusions made by these organizations, or if it required further action.

In addition, these investigation reports do not provide a sufficient basis for the Commission to determine that the investigations conducted by these self-regulatory organizations are adequate. To use these reports, the Commission must know that the self-regulatory organizations' investigation processes are adequate. The Commission conducts on-site reviews of processes used by the IDA and MFDA every three years. The Commission, however, did not review the IDA's investigation (i.e., enforcement) processes during its most recent on-site three-year review.

4.   We recommend the members of the Saskatchewan Financial Services Commission establish standards for planning, conducting, and reviewing investigations into complaints from the investing public.

5.   We recommend the members of the Saskatchewan Financial Services Commission monitor all investigations of complaints from the investing public including those referred to self-regulatory organizations.

Monitor the effectiveness of securities complaints process

We expected the Commission to set objectives for monitoring the effectiveness of its securities complaints process. We expected the Commission would set targets to help measure progress towards achieving its objectives. We anticipated the Commission would receive reports that analyze results and provide explanations for significant variances from plans.

The members of the Saskatchewan Financial Services Commission approved a three-year strategic plan. Management provides the members of the Commission with various reports. The members of the Commission receive semi-annual activity reports that show trends, file volume, the types of files, statistics about files closed, and general reasons for file

closures. They also receive reports to explain results for key actions in the strategic plan and to provide information for decisions. However, these reports are not adequate for the Commission to monitor its securities complaints processes.

The Commission is responsible for enforcing securities law. The Commission does not receive sufficient information about investigation of complaints to know whether it is doing this adequately. For example, the Commission needs to receive information focusing on the progress achieved in investigations of complaints.

The members of the Commission have not set performance targets. Performance targets help define successful achievement of an objective and help measure progress towards achieving the objective. Management told us that it is researching this area and working with its Canadian Securities Administrators partners.

To raise public awareness of the Commission and its role, the Commission uses media releases regarding enforcement actions, occasional communication projects with its partners, its website, and its annual report. The Commission must ensure the public has adequate knowledge of the Commission's role in providing protection to investors to help encourage the public to report complaints.

6.   We recommend the members of the Saskatchewan Financial Services Commission require and review sufficient information about investigations of complaints from the investing public to carryout their responsibilities.

7.   We recommend the members of the Saskatchewan Financial Services Commission set performance targets to help measure progress towards objectives.

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Superintendent of Pensions processes to supervise pension plans—a follow-up

About 49% of paid workers in Saskatchewan participate in registered pension plans.[5] When a pension promise is made, this is the first step in the creation of a complex arrangement known as a pension plan. The appropriate management and oversight of this complex arrangement is critical to the fulfillment of the pension promise.

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[5] Financial Services Commission (2005): *A statistical perspective on pension plans registered in Saskatchewan.*

Background

To help ensure that pension plans are well managed, the Government needs an adequate regulatory and supervisory framework. *The Pension Benefits Act, 1992* (Act) provides this framework. The Act sets out requirement for registration, amendment, and termination of pension plans. The Minister of Justice appoints a Superintendent of Pension (Superintendent) to administer and enforce the Act. The Superintendent is responsible to reduce the risk of financial loss or inequities to pension plan members. The Superintendent carries out this responsibility by supervising pension plans.

Our past work and recommendations

In 2004, we audited the adequacy of the processes the Superintendent of Pensions used to supervise pension plans. We reported the results of our audit in our 2005 Report – Volume 1 and made four recommendations to help improve supervision of pension plans.

We recommended that the Superintendent:

- Expand its analysis of pension plan risks to include the key risks faced by all pension plans
- Prepare a risk-based work plan to supervise pension plans
- Provide staff with written guidance regarding information to document for the registration and amendment of pension plans
- Develop alternative ways to obtain information from pension plan administrators or seek legislative changes to expand its enforcement powers to obtain the required information

In June 2005, the Standing Committee on Public Accounts agreed with these recommendations.

Our follow-up

In September 2007, we did a follow-up to assess how well the Superintendent has addressed our recommendations. We describe below what the Superintendent has done for each of the four recommendations.

Recommendation 1: We recommend that the Superintendent of Pensions expand its analysis of pension plan risks to include the key risks faced by all pension plans.

We made this recommendation because the Superintendent primarily focused on only one pension plan risk, funding risk. Funding risk is whether a pension plan has sufficient assets to meet pension obligations. Funding risk is only relevant to defined benefit plans.[6]

The Superintendent of Pensions has expanded its risk analysis to include governance and administrative risks for both defined benefit plans and defined contribution plans.[7] However, the Superintendent has not yet documented all of the key risks that pension plans face. Nor has it documented and communicated guidance to staff on how to assess pension plans' management of key risks. For example, the Superintendent of Pensions has not documented guidance on how to assess pension plans' investment risk.

We continue to recommend the Superintendent of Pensions expand its analysis of pension plan risks to include the key risks faced by all pension plans.

Recommendation 2: We recommend the Superintendent of Pensions prepare a risk-based work plan to supervise pension plans.

We made this recommendation because the Superintendent did not have a comprehensive risk based work plan.

The Superintendent has developed an operational work plan. The plan includes assessing the adequacy of pension plans' funding, obtaining information about how pension plans govern, assessing propriety of pension plan amendments, and receiving annual information returns for pension plans. However, the Superintendent needs to identify key risks faced by all pension plans. Based on that assessment, the

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[6] A pension plan that specifies the pension that members of the plan receive on retirement based on a formula that can use such factors as the members pay and years of employment.
[7] A pension plan in which the members' contributions are fixed. A member's pension is based on the member's and the employer's contributions and the accumulated investment earnings.

Superintendent will have to determine the impact of that assessment on its work plan.

We continue to recommend the Superintendent of Pensions prepare a risk-based work plan to supervise pension plans.

Recommendation 3: We recommend the Superintendent of Pensions provide staff with written guidance regarding information to document for the registration and amendment of pension plans.

We made this recommendation because the Superintendent had not clearly set out in writing the steps staff must follow to register and amend pension plans.

The Superintendent has developed policies and procedures including a checklist for completion by staff when registering and amending pension plans. These policies, procedures, and checklists help employees document pension plans' compliance with pension law.

Recommendation 4: We recommend the Superintendent of Pensions develop alternative ways to obtain information from pension plan administrators or seek legislative changes to expand its enforcement powers to obtain the required information.

We made this recommendation because the plan administrators did not always comply, in a timely manner, with the Superintendent's requirement to provide necessary information.

The Superintendent has addressed our recommendation by developing some alternative ways to obtain information from pension plan administrators, such as sending questionnaires to administrators, meeting with administrators, and carrying out on-site audits. The Superintendent continues to consider other means of obtaining timely information from pension plan administrators.

The Superintendent told us it has identified the need to review its enforcement powers, and has begun identifying possible changes to the pension laws.

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Provincial Auditor Saskatchewan
2007 Report – Volume 3

Learning

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Main points

The Department of Learning (Department) needs to review the accuracy of payroll prior to paying employees. Lack of prior review of payroll accuracy increases the risk that employees may be paid incorrect amounts without timely detection.

The Department needs to follow its procedures for ensuring only authorized staff have access to its systems and data.

Introduction

In April 2006, the Government restructured the Department of Learning into two new departments: the Department of Learning and the Department of Advanced Education and Employment.

The Department of Learning (Department) has responsibility for the programs and services for early learning and child care, pre-kindergarten to Grade 12 education, public libraries, and literacy.

Its responsibilities are set out primarily in *The Education Act, 1995, The Child Care Act,* and *The Public Libraries Act, 1996.*

Related special purpose funds and agencies

At March 31, 2007, the Department was responsible for the following special purpose funds and agencies:

	Year-end
Technology Supported Learning Revolving Fund	March 31
School Division Tax Loss Compensation Fund	March 31
Prince of Wales Scholarship Fund	March 31
Teachers' Superannuation Commission	June 30

Financial overview

As set out in Table 1, the Department spent over $978 million in 2006-07.

Table 1

	Estimates 2006-07[1]		Actual 2006-07
	(in millions of dollars)		
Central Management and Services	$ 11.7	$	12.1
Pre-K -12 Education	600.2		635.9
Early Learning and Child Care	30.1		28.9
Curriculum and E-Learning	4.5		4.7
Literacy	2.5		2.6
Provincial Library	9.4		9.3
Education Property Tax Relief	107.9		106.3
Teachers' Pensions and Benefits	138.7		177.3
Capital Asset Acquisitions	---		(0.2)
Capital Asset Amortization	1.2		1.2
	$ 906.2	$	978.1

In 2006-07, the Department had revenues of $8.6 million of which 90% came from the Federal Government.

The Department's *2006-07 Annual Report* sets out the reasons for the major differences between actual financial results and the estimates. (www.sasked.gov.sk.ca).

Audit conclusions and findings

We have completed the 2007 audits of the three special purpose funds (i.e., Technology Supported Learning Revolving Fund, School Division Tax Loss Compensation Fund, and Prince of Wales Scholarship Fund). For each of the special purpose funds, we found the financial statements to be reliable and each complied with the law.

We have not included the results of our audit of the Teachers' Superannuation Commission (TSC). We have not completed this audit because TSC has not yet finalized its financial statements.

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[1] Saskatchewan Finance, *2006-2007 Saskatchewan Estimates*. The Estimates total does not include the additional $37.473 million authorized through the *Saskatchewan Supplementary Estimates* for Learning (Vote 5) and a statutory adjustment.

At the date of this report, we have not yet completed the audit of the Department. We are still examining the payment processes for the Education Technology Consortium projects.

This is an interim report for the Department. If there are further matters to report upon completion of the audit, they will be reported in a future report.

Better control over employees' pay needed

The Department needs to better control employees' pay.

During the year, the Department reviewed its payroll costs during its review of monthly financial reports. However, the Department did not adequately review the accuracy of key payroll data for each pay period prior to paying employees. As a result, employees' pay has not been approved in accordance with *The Financial Administration Act, 1993*.

This weakness increases the risk that employees may be paid incorrect amounts.

1. We recommend that the Department of Learning adequately review the payroll for accuracy prior to paying its employees to ensure that all employees' pay is approved in accordance with *The Financial Administration Act, 1993*.

User access

The Department needs to follow its procedures for ensuring only authorized staff have access to its systems and data.

The Department has adequate procedures for removing user access to its systems and data. However, the Department did not follow its established procedures. During the audit, we reviewed access for all employees on the MIDAS HR system. We found three employees where the Department had not removed access on a timely basis. For the Student Data System, user accounts are inactivated if the account has had no activity for at least one school year. The Department did not remove access on a timely basis for one employee. The employee's account had been inactive since January 2005.

Without following its established procedures for removing user access, the Department cannot ensure that only authorized individuals have access to systems and data.

2. We recommend the Department of Learning follow its established procedures for user access to its systems and data.

Reporting of incorrect pension costs

With the continued use of Treasury Board's accounting policies, the Department has not reported its costs of teachers' pensions properly.

The Department follows policies set by Treasury Board to prepare its financial plan (Estimates) and to account for its activities. In our audit report on the 2007 financial statements of the General Revenue Fund[2], we continue to report that Treasury Board does not use Canadian generally accepted accounting policies for the public sector to account for pension costs.

As a result, for the year ended March 31, 2007, the Department understated the amount of teachers' pension and benefit costs reported in its annual report by $235 million (2006 - understated by $55 million) and understated the amount it owes for teachers' pensions by $2.84 billion (2006 - $2.61 billion). We report this concern in our report on the Department of Finance.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter.[3]

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[2] *Public Accounts 2006-07: Volume 1: Main Financial Statements*, Auditor's Report [on the General Revenue Fund], pp. 11-12.

[3] For the definitions of the key terms used in the table, see Chapter 25 – Standing Committee on Public Accounts pages 398 to 399.

Table 2

PAC REPORT YEAR[4]	OUTSTANDING RECOMMENDATION	STATUS
Department of Learning		
1999	**CR60**. The Department should require school divisions to prepare their financial statements following the standards recommended by the [The Institute Chartered of Accountants] CICA.	**Not implemented** (as at March 31, 2007). The Department is taking the lead on the project to have all school divisions comply with the standards recommended by the CICA. The Department is targeting August 31, 2009 for all school divisions to be in full compliance. It continues to work with the school divisions to meet this target.
2005	PAC concurs: 13-1 that the Department of Learning should obtain from school divisions comparisons of planned and actual costs and timing by key stage for each approved project.	**Partially implemented** (as at October 31, 2005). A follow-up was done in October 2005. A second follow-up is planned for 2009-10.
2005	PAC concurs: 13-2 that the Department of Learning should document its assessment of the processes that its partners use to identify and mitigate significant risks or set its own processes to identify and mitigate significant risks on approved capital projects.	**Partially implemented** (as at October 31, 2005). A follow-up was done in October 2005. A second follow-up is planned for 2009-10.
2007	PAC concurs: 3-2 that the Department Learning should provide staff with written guidance on situations unique to the Department to help staff avoid conflicts-of-interest.	**Not implemented** (as at March 31, 2007). The Department is currently developing processes and procedures that will be implemented to ensure all staff are aware of the criteria constituting a conflict of interest situation.

[4] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

PAC REPORT YEAR[4]	OUTSTANDING RECOMMENDATION	STATUS
2007	PAC concurs: 3-1 that the Department of Learning's human resource plan should: - Quantify its human resource needs; - Provide details on human resource gap between actual and required resources; - Provide details on plans to implement the major strategies.	**Not implemented** (as at March 31, 2007). The Department's 2007-2008 Human Resource Plan continues to provide much of the information that Human Resource Plans should include. However, improvements are still needed in the areas previously recommended.
2007	PAC concurs: 3-2 that the Department of Learning should sign a service level agreement with the Information Technology Office.	**Not implemented** (as at March 31, 2007). The Department continues to work with the Information Technology Office for the service level agreement.
Teachers' Superannuation Commission		
2005	PAC concurs: 10-1 that the Government's pension plan boards should develop and implement strategic plans that include the goals and objectives of the plan, a summary of the risks faced by the plan and its members, and the key strategies to manage those risks.	**Partially implemented** (for the year ends on or before March 31, 2007). Teachers' Superannuation Plan does not have a complete strategic plan at the above date.
2007	PAC concurs: 3-1 that the Teachers' Superannuation Commission should approve an information technology plan.	**Partially implemented** (as at June 30, 2007). Some progress made.

Liquor and Gaming Authority

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Liquor and Gaming Authority

17A

Main points

In this chapter, we report the results our audit of the Saskatchewan Liquor and Gaming Authority (Liquor and Gaming) for the year ended March 31, 2007.

Liquor and Gaming needs to improve its training and guidance to liquor store employees so they understand and follow established policies and procedures. Also, Liquor and Gaming needs to follow its approved information technology policies and procedures and prepare a complete business continuity plan.

Introduction

The Liquor and Gaming Authority (Liquor and Gaming) is a Crown corporation that operates under *The Alcohol and Gaming Regulation Act, 1997*. The mandate of Liquor and Gaming is to develop, support, operate, and regulate the beverage alcohol and gaming industries in the Province.

Liquor and Gaming operates retail liquor stores and video lottery terminals. It also owns and manages the slot machines at Saskatchewan Indian Gaming Authority's (SIGA) casinos.

Under *The Criminal Code of Canada*, only governments can own and manage slot machines. Saskatchewan Gaming Corporation, a Crown corporation, operates slot machines in its casinos in Regina and Moose Jaw. Also, the Government uses SIGA to operate the slot machines at four casinos throughout Saskatchewan under Liquor and Gaming's direction. Liquor and Gaming signed a Casino Operating Agreement with SIGA. Under the Casino Operating Agreement, the revenues from the slot machines belong to Liquor and Gaming. The Casino Operating Agreement expires on June 11, 2027.

SIGA must also follow policies that Liquor and Gaming approves for incurring casino operating expenses. Liquor and Gaming allows SIGA to deduct from slot machine revenues properly supported expenses that comply with the approved policies. Accordingly, Liquor and Gaming is accountable for SIGA's expenses that have proper support and comply with the approved policies. Liquor and Gaming includes slot machine revenues and expenses in its financial statements.

In 2006-07, Liquor and Gaming had revenues of $789 million, expenses of $419 million, and net income of $370 million. At year-end, Liquor and Gaming held total assets of $158 million and had an accumulated deficit of $0.6 million. Liquor and Gaming's *Annual Report 2006-07* includes its financial statements.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2007:

*   Liquor and Gaming had adequate rules and procedures to safeguard public resources except for the matters described in this chapter

*   Liquor and Gaming complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing

*   Liquor and Gaming's financial statements are reliable

We also provide an update on the status of other recommendations previously made by the Standing Committee on Public Accounts that are not yet implemented.

Continual monitoring of SIGA operations needed

Under the Casino Operating Agreement[1] (Agreement), the revenues and expenses from the slot machines in SIGA casinos belong to Liquor and Gaming. The Agreement allows Liquor and Gaming to set SIGA's operating policies and determine what expenses SIGA can reasonably deduct from slot machine revenues. Accordingly, Liquor and Gaming is accountable for SIGA's expenses that have proper support and comply with approved policies.

Liquor and Gaming audits SIGA's compliance with the approved operating policies and directives on an ongoing basis. Liquor and Gaming also audits SIGA's expenses regularly and recovers those expenses that it considers inappropriate (expenses that do not have adequate support and/or do not comply with approved policies) from future payments to the First Nation Trust Fund.[2]

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[1] The Casino Operating Agreement is an agreement between Liquor and Gaming and SIGA setting out terms and conditions for operating SIGA casinos. The Agreement expires on June 11, 2027
[2] First Nation Trust Fund established under the 2002 Framework Agreement between the Federation of Saskatchewan Indian Nations (FSIN) and the Government of Saskatchewan, receives and distributes all gaming revenues for and on behalf of FSIN.

Liquor and Gaming completed its audit of SIGA for the period from April 1, 2006 to March 31, 2007. Liquor and Gaming concluded SIGA needs to do more work to fully comply with the approved marketing and promotions policies. Management told us Liquor and Gaming plans to continue to monitor SIGA's operations closely.

Employees need better training and guidance

Liquor and Gaming needs to improve its training and guidance to liquor store employees so they understand and follow established liquor store operating policies.

Liquor and Gaming operates 80 liquor stores in 64 communities throughout the province. In 2006-2007, Liquor and Gaming had liquor store sales of $398 million.[3]

Liquor and Gaming has developed a detailed policy and procedures manual. The manual sets out detailed processes that employees must follow when doing their assigned tasks. Liquor and Gaming audits liquor stores to determine how well employees follow the established processes.

During the year, Liquor and Gaming audited 31 liquor stores and found that employees at those stores did not always follow the established processes. For example, at some stores employees did not handle cash as policies required. At those stores, there was not always documented evidence that two employees counted and deposited cash receipts. In addition, some stores did not always complete periodic inventory counts and did not keep evidence of product disposals.

Employees do not follow the established policies and procedures when they do not understand the reasons for those policies and/or do not have adequate training to follow those policies.

Liquor and Gaming is considering the recommendations of its internal auditor to help ensure store employees follow established processes. The risk of misappropriation and loss increases when employees do not follow approved policies and procedures.

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[3] $398 million excludes liquor sales to franchisees.

1.   We recommend that Liquor and Gaming Authority improve employee training so that employees understand and follow approved policies and procedures.

Compliance with approved information technology policies needed

In our 2005 Report – Volume 3, we reported that Liquor and Gaming needed to approve its information technology (IT) policies and procedures. In May 2006, the Standing Committee on Public Accounts (PAC) considered and agreed with our recommendation.

IT security policies and procedures help ensure the confidentiality, privacy, integrity, and availability of information systems and data. Liquor and Gaming's information system contains sensitive data including credit card information.

In June 2006, Liquor and Gaming approved its IT policies and procedures. The IT policies and procedures set out strong security policies including management of physical security and granting access to systems and data. Liquor and Gaming must now ensure its employees follow those policies and procedures.

We noted employees did not always follow the approved policies for removing user accounts and monitoring network security. For example, at some retail stores supervisors temporarily delegated to other staff the authority to approve electronically employees' attendance and worksheets. They delegated this authority for the period of their absences because of vacation or other reasons. However, they did not cancel the temporary delegation upon their return to work. Delays in updating user accounts and network security increase the risk of unauthorized data disclosure, modification, or loss.

Liquor and Gaming also needs to monitor network security alerts. These alerts help agencies to detect and react to security threats quickly.

2.   We recommend that Liquor and Gaming Authority follow its approved information technology policies and procedures.

Business continuity plan needed

Liquor and Gaming needs a written, approved, and tested business continuity plan[4] to help ensure that it can continue to deliver its programs and services in the event of a disaster.

In our 2006 Report – Volume 3 and prior reports, we recommended that Liquor and Gaming prepare and the Board approve a complete business continuity plan. In May 2006, PAC considered this matter and agreed with our recommendation.

Liquor and Gaming delivers a number of programs and services to the residents of Saskatchewan as part of its mandate. It is required to carry out its mandate even if a disaster disrupts its ability to deliver its programs and services. Without an adequate business continuity plan, Liquor and Gaming is at risk of not being able to deliver its programs and services in a timely manner.

Liquor and Gaming does not yet have a complete and tested business continuity plan. It has, however, begun the process of developing a business continuity plan and has completed a threat and risk assessment for its critical business processes.

We continue to recommend that Liquor and Gaming Authority prepare and the Board approve a complete business continuity plan.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter.[5]

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[4] **Business Continuity Plan** is a plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the organization's critical operations or functions including normal operation of a computerized system. A plan for recovery of a computer system is known as Contingency Plan or Disaster Recovery Plan. A contingency plan is only one component of the Business Continuity plan.

[5] For the definitions of the key terms used in the table, see Chapter 25 – Standing Committee on Public Accounts pages 398 to 399.

PAC REPORT YEAR[6]	OUTSTANDING RECOMMENDATION	STATUS
2007	PAC concurs: 7-1 that the Liquor and Gaming Authority should formally assign responsibility for encouraging responsible use of beverage alcohol.	**Not implemented** (as at December 31, 2005). Follow-up planned for 2008-09.
2007	PAC concurs: 7-2 that the Liquor and Gaming Authority should prepare a complete plan for encouraging responsible use of beverage alcohol.	**Not implemented** (as at December 31, 2005). Follow-up planned for 2008-09.
2007	PAC concurs: 7-3 that the Liquor and Gaming Authority should continue to research and develop performance measures and targets to evaluate its performance in encouraging responsible use of beverage alcohol.	**Not implemented** (as at December 31, 2005). Follow-up planned for 2008-09.

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[6] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

Saskatchewan Indian Gaming Authority Inc.

17B

Main points

In this chapter, we report the results of our audit of the Saskatchewan Indian Gaming Authority Inc. (SIGA) for the year ended March 31, 2007. SIGA has made significant progress in addressing our outstanding recommendations. By the year-end, SIGA had fully implemented 79% and partially implemented 21% of our past recommendations.

We also report the results of our audit of SIGA's project management processes for the Dakota Dunes Casino from January to August 2007. We report that SIGA had adequate project management processes except that SIGA needs to:

- have adequate dispute resolution processes with its key partners
- improve the construction progress reports it provides to the Board

Introduction

The Saskatchewan Indian Gaming Authority Inc. (SIGA) is a non-profit corporation established under *The Non-Profit Corporations Act, 1995*. The members of SIGA are the Federation of Saskatchewan Indian Nations (FSIN), the Tribal Councils of Saskatchewan, and other First Nations. Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) has licensed SIGA to operate four casinos. These casinos are known as Northern Lights, Gold Eagle, Painted Hand, and Bear Claw.

All casinos are located on First Nation reserves. Northern Lights Casino is located in Prince Albert, Gold Eagle Casino is located in North Battleford, Painted Hand Casino is located in Yorkton, and Bear Claw Casino is located on the White Bear First Nation. The Dakota Dunes Casino located on the Whitecap First Nation near Saskatoon began operations on August 10, 2007. These casinos provide table games, slot machines, and other hospitality services (ancillary operations) to the public.

Liquor & Gaming has licensed SIGA to conduct and manage table games. Under the licenses, SIGA is required to use the net profits from the operations of licensed table games for First Nations' charitable or religious purposes.

As required by section 207 of *The Criminal Code of Canada*, Liquor & Gaming owns the slot machines located in SIGA's casinos. Under *The Criminal Code of Canada*, Liquor & Gaming is responsible for the overall conduct and management of the slot machines in those casinos. The revenue from the slot machines belongs to Liquor & Gaming and is, therefore, public money.

Under the 2002 Casino Operating Agreement[1], Liquor & Gaming has allowed SIGA to deduct from the slot machine revenues reasonable costs, as determined by Liquor & Gaming, for operating casinos. SIGA must remit the remainder to Liquor & Gaming. Also, the 2002 Casino Operating Agreement allows SIGA to recover, in any year, any net loss from the operation of licensed table games and ancillary operations from the net income earned from the operation of slot machines.

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[1] The 2002 Casino Operating Agreement is an agreement between Liquor & Gaming and SIGA setting out terms and conditions for operating SIGA casinos. The Agreement expires on June 11, 2027.

Table 1 summarizes results of SIGA's casino operations. The casino operations include slot machines, table games, and ancillary (i.e., gift shops, restaurants, and lounges). The Table shows the net casino profits that SIGA made for Liquor & Gaming during the last five years.

Table 1 – Net profits (in $000) from SIGA operated casinos

Segment	2007	2006	2005	2004	2003
Slot operations	$ 52,695	$ 43,653	$ 36,641	$ 35,843	$ 32,146
Ancillary operations	(3,091)	(2,593)	(2,354)	(1,976)	(1,742)
Table operations	(767)	(902)	(332)	(687)	(1,036)
Net profit	$ 48,837	$ 40,158	$ 33,955	$ 33,180	$ 29,368

Background

In February 1995, the Government of Saskatchewan and the FSIN signed the 1995 Framework Agreement (Agreement). The Agreement permitted the development and operation of casinos in Saskatchewan within the parameters of *The Criminal Code of Canada*. The Agreement expired, and on June 11, 2002, the Government of Saskatchewan and the FSIN signed a new Framework Agreement (2002 Framework Agreement) effective from June 11, 2002 to June 11, 2027.

Liquor & Gaming and SIGA also signed the 1995 Casino Operating Agreement to implement the 1995 Framework Agreement. The 1995 Casino Operating Agreement expired with the 1995 Framework Agreement. On June 11, 2002, Liquor & Gaming and SIGA signed a new Casino Operating Agreement (2002 Casino Operating Agreement) effective from June 11, 2002 to June 11, 2027.

Under the 2002 Casino Operating Agreement, SIGA can deduct the casinos' operating expenses, incurred in accordance with the operating policies and directives approved by Liquor & Gaming, from slot machine revenues. SIGA must deposit the remainder into a trust account for Liquor & Gaming in accordance with the process specified in the 2002 Casino Operating Agreement.

If Liquor & Gaming determines that any expenses that SIGA has incurred did not follow the approved policies and directives, it may recover such

expenses from future amounts due to the First Nations Trust Fund because SIGA has no money of its own. SIGA has no money of its own because revenues from the slot machines belong to Liquor & Gaming and SIGA must use any net income from the licensed table games for charitable or religious purposes. As a result, First Nations people bear the cost when SIGA incurs expenses that are not in accordance with approved policies and directives because SIGA belongs to them.

We audit SIGA for the Legislative Assembly because SIGA handles public money for Liquor & Gaming. In addition, SIGA's members have appointed the Provincial Auditor as SIGA's auditor.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2007:

- SIGA had adequate rules and procedures to safeguard public resources except for the matters described in this chapter

- SIGA complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters described in this chapter

- SIGA's consolidated financial statements are reliable

In this chapter, we also report the result of our audit of SIGA's project management processes for the Dakota Dunes Casino. The examination covers SIGA's project management from January 1 to August 31, 2007.

Controls to safeguard public resources

In our past reports to the Legislative Assembly of Saskatchewan (Legislative Assembly), we made several recommendations to strengthen SIGA's processes to safeguard public resources. SIGA accepted our recommendations. SIGA has made significant progress towards implementing our recommendations.

By March 31, 2007, SIGA had addressed most of our recommendations. It had fully implemented 79% and partially implemented 21% of our past recommendations.

Well-performing agencies do three things to help ensure they have effective controls to safeguard public resources. First, they ensure management provides adequate guidance to their employees. Second, they require management to establish processes to ensure employees follow the guidance provided in carrying out their tasks. Third, they monitor how well they are progressing towards achieving their established goals.

As we stated earlier, SIGA has made significant improvement to its processes to safeguard public resources. However, it needs further improvements to ensure employees have ready access to effective guidance and they follow that guidance in doing the assigned tasks. We provide our findings in these areas below.

Effective guidance to employees

In our 2006 Report – Volume 3 and our past reports, we said SIGA needed to document and communicate all policies to its employees. Documented policies provide employees ready guidance to help them understand and follow the policies. SIGA has fully documented and communicated policies for all significant areas except for its computer systems and operations (Information Technology).

Information technology (IT)

SIGA's employees prepared and senior management reviewed a draft IT strategic plan. However, the Board has not yet reviewed and approved the draft plan. Accordingly, the Board does not know if the draft IT strategic plan has addressed all the risks and threats.

In our past reports, we recommended that management should review and the Board approve an information technology strategic plan. The Standing Committee on Public Accounts (PAC) has considered this matter and agreed with our recommendation.

We continue to recommend that SIGA's Board approve the IT strategic plan.

Compliance with established policies

In our 2006 Report – Volume 3 and our prior reports, we said SIGA must train its employees so that they follow established policies to do their work. SIGA has made good progress towards ensuring that its employees follow established policies. However, it needs to do more to ensure the integrity of its accounting records.

In the past, we observed that SIGA's accounting records did not reflect its business operations and lacked proper support for all transactions. Accordingly, we recommended that SIGA establish policies and procedures to ensure its books and records reflect its business operations and there is support for all transactions. PAC has considered this matter and agreed with this recommendation.

We describe below the significant areas where SIGA's employees did not comply with approved policies.

Revenues

SIGA has established procedures to ensure the integrity of games and safeguard public resources. Generally, employees responsible for slot machines, table games, surveillance, and accounting perform these procedures.

In 2006, SIGA installed new ticket redemption terminals[2] and slot machines in its casinos. SIGA established adequate processes to ensure it receives and records all slot machine revenues. However, employees did not always comply with these policies. For example, at one casino, employees did not always agree (reconcile) transactions from the ticket redemption terminals to its records. Such reconciliations help identify system malfunctions or tampering on a timely basis.

Also, SIGA requires slot machine employees to observe and record daily progressive jackpot balances for the slot machines. Employees did not

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[2] Ticket redemption terminals are machines that allow patrons to receive cash for their slot machine winnings.

always do so for the new slot machines. The progressive jackpot balances change as the patrons play the participating slot machines. SIGA records slot machine revenues net of all wins and accumulated jackpots. Because employees did not observe and record the daily jackpot balances, they did not update SIGA's accounting records to reflect the correct jackpot payable resulting in inaccurate interim financial reports. The Board uses interim financial reports for monitoring and decision-making. Inaccurate financial reports could result in inappropriate financial decisions.

This condition, however, would not affect the amount paid to jackpot winners because the winners receive the amount showing on the jackpot sign at the time they win the jackpot.

Marketing and promotion

In 2007, SIGA spent approximately $7.3 million (2006 - $7.3 million) for marketing and promotion.

SIGA has established various marketing and promotion policies that Liquor & Gaming has approved. However, employees did not always comply with the marketing and promotion policies.

SIGA requires employees to maintain adequate records of complimentary food and beverage items they give to patrons (who received the item and why). SIGA also requires management to periodically review and approve these records. One casino did not maintain adequate records of these items. At another casino, management did not approve the records as policy required.

Accounting

SIGA has established policies to control its bank accounts and capital assets. However, employees did not comply with these policies.

For example, SIGA requires employees to explain cash overages/shortages exceeding $5. However, employees did not always fully explain the cash overages/shortages.

Hospitality organizations including casinos often encounter differences between the cash recorded in their accounting records and the actual

cash on hand. Such differences (commonly known as cash overages/shortages) are often unintentional human errors and/or machine errors. To ensure employees properly monitor, follow up, and resolve all overages/shortages, such organizations establish processes to ensure overages/shortages are not intentional.

Also, SIGA requires employees to periodically count capital assets and compare the counts to the accounting records. However, employees have not yet done a complete count of the capital assets. Therefore, SIGA cannot be sure that all capital assets recorded in its accounting records exist.

We continue to recommend SIGA establish rules and procedures to ensure that employees comply with established policies.

We continue to recommend SIGA establish policies and procedures to ensure its books and records reflect its business operations and there is support for all transactions.

Building human resource capacity

In our 2003 Report – Volume 3, we reported on SIGA's processes to build human resource capacity. PAC considered these matters and agreed with our recommendations. In our 2006 Report – Volume 3, we followed up on our recommendations in this area and reported that there were two recommendations still outstanding. Below, we describe SIGA's progress at March 31, 2007 in addressing those recommendations.

Complete and implement a human resource plan

In 2006, we reported that SIGA's long-term human resource plan included the key elements of a sound human resource plan except that it did not include a projection of SIGA's future human resource needs (i.e., number, type, level, and location of employees). As a result, SIGA did not know its future human resource needs and how to access those resources. SIGA needs this information to carry out its strategic direction.

SIGA has begun to regularly analyze turnover within each of its departments to project future human resource needs. In 2007, SIGA did an employee survey to identify employees interested in relocating to new

casino sites. SIGA plans to use the results of this survey to help identify future staffing requirements at new and existing casinos. Also, SIGA has developed partnerships with other agencies to help provide training to its current and future employees.

SIGA has also begun to implement personal learning plans for all employees. Management told us SIGA will use these plans to develop organization-wide succession plans.

While SIGA continues to gather information, it has not yet completely documented its future human resource needs. It should do so.

We continue to recommend SIGA complete and implement its human resource plan.

Effectiveness of training activities

In 2006, we reported that SIGA had an adequate learning strategy and training plans. We also reported that the Board regularly received some information on employee training activities. However, reports to the Board did not include information on the actual costs of the training or the effectiveness of these training activities.

SIGA is currently developing a process to evaluate the effectiveness of its training activities.

We continue to recommend management prepare and provide to the Board more information on the effectiveness of SIGA's training activities.

Project management processes

Under the 2002 Framework Agreement between the Federation of Saskatchewan Indian Nations and the Province of Saskatchewan, SIGA established the Dakota Dunes Casino at the Whitecap Dakota First Nation (Whitecap) near Saskatoon. In July 2004, the Government approved SIGA's plan to build this casino.

The Dakota Dunes Casino was a significant project for SIGA. The new casino has a floor space of approximately 80,000 square feet housing 12 table games, 600 slot machines, and dining/entertainment facilities. The

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total budgeted cost for the project was approximately $61 million excluding the cost of slot machines that Liquor & Gaming supplied. SIGA expects the casino to generate annual net income of approximately $18 million and create about 400 jobs.

In late 2004, SIGA made an agreement with the Saskatoon Tribal Council (Tribal Council) for the construction and lease of a casino building at Whitecap. Under this Agreement, the Tribal Council constructed a building shell (i.e., base building without any interior finishing) and is leasing the building and related land to SIGA. SIGA completed the leasehold improvements necessary for a casino operation.

Work on the Dakota Dunes Casino project site began in 2005. SIGA opened the Dakota Dunes Casino to the public on August 10, 2007. At August 31, 2007, the actual capital costs for the casino totalled approximately $56 million, including $16 million that the Tribal Council paid for the building shell. SIGA expects the total capital cost for the casino will not exceed the budgeted cost of $61 million.

We assessed whether SIGA had adequate project management processes for this significant project. We wanted to know if SIGA had adequate processes to undertake this large project because large construction projects are inherently risky. These risks fall into three broad categories:

♦   Economic risks – e.g., cost overruns, access to financing
♦   Capacity risks – e.g., availability of staff and contractors with needed capabilities, inadequate needs analysis
♦   Construction risks – e.g., poor construction quality, changing project scope, safety and environmental concerns

Sound project management processes can reduce these risks and increase the likelihood of a project's success.

We completed the first phase of our work in 2006. In phase one we developed suitable criteria for assessing SIGA's processes and examined SIGA's processes from April 1, 2005 to December 31, 2006. We reported the results of phase one in our 2007 Report – Volume 1. We recommended that SIGA needs to:

♦   have adequate project plans before starting major construction projects

- finalize financing arrangements before starting major construction projects
- have dispute resolution processes with its key partners before starting major construction projects
- provide its Board of Directors with complete and accurate progress reports on major construction projects

In June 2007, PAC considered these matters and agreed with our recommendations.

We have now completed phase two of our work. In phase two we examined SIGA's processes from January 1 to August 31, 2007. We also followed up on SIGA's progress to address the recommendations we made in our 2007 Report – Volume 1.

Audit objective

The objective of phase two of this audit was to assess the adequacy of SIGA's project management processes for the Dakota Dunes Casino project for the period from January 1 to August 31, 2007.

We followed *Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants. This included developing suitable criteria, reviewing and evaluating relevant processes, and obtaining sufficient and appropriate audit evidence to support our conclusions.

Audit criteria

We used the following criteria to assess the adequacy of SIGA's processes. We based these criteria on a review of available literature, work of other auditors, prior audit work of our Office, and discussions with management. SIGA accepted the criteria as a reasonable standard for assessing its processes. We used the same criteria for phase one of our work.

To have adequate project management processes for the Dakota Dunes Casino project, SIGA should:
- establish requirements for the construction project

- ♦ monitor the status of the project
- ♦ address concerns

We describe the criteria more fully under key findings by criterion.

Conclusion and findings

SIGA had adequate project management processes for the Dakota Dunes Casino project for the period from January 1 to August 31, 2007 except that it needs to establish dispute resolution processes with its key partners on major construction projects and provide the Board of Directors with complete and accurate progress reports on major construction projects.

Key findings by criterion

In this section, we describe what we expected (in italics) and our findings for each criterion.

Establish requirements for the construction project

To ensure the project meets its established requirements, we expected SIGA to have processes to ensure:
- ♦ *project specifications meet SIGA's identified needs*
- ♦ *key project milestones are set for the project*
- ♦ *the Board approves the total cost and costs by key stages*
- ♦ *the Board approves the financing arrangements*
- ♦ *the project team members have appropriate qualifications*
- ♦ *the Board and management have sufficient information to monitor the project*
- ♦ *appropriate tendering processes are followed for selecting contractors*
- ♦ *its key partners know and agree with their respective responsibilities specifically for project changes, cost overruns, and dispute resolution*

SIGA had adequate processes to establish requirements for the project except that it needs to establish formal dispute resolution processes with its project partners.

In our 2007 Report – Volume 1, we reported that SIGA did not have an adequate project plan and did not finalize financing arrangements before the Dakota Dunes Casino project started. In 2007, SIGA began another significant casino project in Swift Current (Living Sky Casino). SIGA learned from its experience from its earlier projects and prepared a project plan and made adequate financing arrangements before that construction project began.

SIGA's agreement with the Tribal Council for Dakota Dunes sets out the overall responsibilities and financial obligations for each party for the project. SIGA used regular communications and project team meetings with the Tribal Council to ensure both parties understood and accepted these responsibilities. However, the agreement with the Tribal Council does not include a process for resolving disputes. The agreement covers both the construction and long-term lease of the facility. While the construction of the facility has been completed, SIGA is leasing the facility for the long term. Absence of a formal dispute resolution process increases the risk that SIGA's operations may be disrupted resulting in loss of revenue and/or additional costs to SIGA.

We continue to recommend that SIGA have dispute resolution processes with its key partners before starting major construction projects.

Monitor the status of the project

To adequately monitor the status of the project, we expected SIGA to have processes to:

- *monitor the actual project status compared to the approved plan and develop/revise action plans if needed*
- *prepare reports to the Board comparing the actual project status (both costs and stage of completion) to the approved plan with explanations of significant differences*
- *review the status of key risks identified for the project*
- *assess the reliability of information provided by key partners*
- *verify reported information, where necessary*

SIGA had adequate processes to monitor the status of the project except that it needs to improve its progress reports to the Board.

In our 2007 Report – Volume 1, we reported that management had improved its reports to the Board but it needed to continue to make further improvements. We recommended further improvement because the amounts reported to the Board did not agree to SIGA's accounting records.

Management provided the Board monthly written progress reports up to July 1, 2007. However, those reports did not always provide current information about development and operating costs. Also, the Board did not receive progress reports for the months of July and August 2007.

The reports reflected actual cost information that SIGA's cost consultant provided. Starting July 31, 2007, SIGA began comparing the actual costs the consultant reported to the actual costs in SIGA's accounting records. SIGA explained significant differences between the two records. However, as we said earlier, the Board did not receive progress reports for the months of July and August 2007.

Management told us that future progress reports to the Board will include actual project costs from SIGA's accounting records for new casinos.

We continue to recommend that SIGA provide the Board of Directors complete and accurate progress reports on major construction projects.

Address concerns

To ensure that potential problems on the project are adequately managed, we expected SIGA to have processes to:
♦   identify key risks and action plans to manage those risks
♦   regularly assess the status of the project's risks
♦   approve change requests that meet defined criteria
♦   communicate required actions to affected parties
♦   take appropriate action

SIGA had adequate processes to properly address any potential problems to ensure the project continued as planned. SIGA identified and evaluated key risks to the project in its risk management plan. In addition, SIGA regularly monitored and updated the Board on the status of these key risks. When SIGA determined that identified risks were above an acceptable level, management prepared a plan setting out actions to

address the risks including any project change requests. SIGA's project team communicated required actions to the appropriate parties and ensured they took appropriate action.

SIGA followed its delegation of authority policy when approving project change requests. Management informed SIGA's Board about project change requests and the Board approved all significant changes.

Selected references

Provincial Auditor Saskatchewan. (1999). Chapter 1C - Toward 2000. *Report of the Provincial Auditor to the Legislative Assembly of Saskatchewan: 1999 Fall Report – Volume 2.* Regina: Author.

Project Management Institute. PMI Standards Committee. (2004). *A Guide to the Project Management Body of Knowledge.* PMBOK® Guide. Third Edition. Newton Square, Pennsylvania: Project Management Institute.

Saskatchewan Indian Gaming Authority. (2007). *SIGA Sharing Success - 2006-2007 Annual Report.* Saskatoon: Author.

Northern Affairs

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Main points

The Department of Northern Affairs (Department) needs to improve its management of loan and grant programs. For the past two years, we have reported the Department needs to improve its processes. We also make two new recommendations this year to improve processes relating to the management of loans and grants. We recommend that the Department document and communicate its processes to administer its loan and grant programs, and ensure that employees who approve loans do not have authority to record transactions related to those loans.

Also, the Department needs to review payroll for accuracy prior to paying its employees, and it should make a service agreement with its payroll services provider.

Introduction

The *Department of Northern Affairs Regulations* made under *The Government Organization Act* established the Department of Northern Affairs (Department). The Department has the mandate "to promote the social and economic development of northern Saskatchewan communities in partnership with the Federal Government and northern communities by supporting regional development and development of businesses and industries, and coordinating government activities."[1]

To help develop businesses in northern Saskatchewan, the Department operates a program called the Northern Development Fund (NDF). Under this program, the Department makes loans with fixed terms and interest to eligible persons.who either operate businesses in northern Saskatchewan or starting a new business in that part of the province.

For the year ended March 31, 2007, the Department received $5.35 million from the General Revenue Fund to provide programs and services. The Department also had an approved budget of $2.5 million for loans for the year. During the year, the Department made loans totalling $1.4 million.

Information about the Department's expenses appear in the Department's 2006-07 annual report, (see www.northern.gov.sk.ca). The Department's major programs and spending include:

	Original Estimates	Actual
	(Thousands of dollars)	
Central Management and Services	$ 1,384	$ 1,547
Northern Strategy	618	882
Resources & Economic Development	3,707	2,914
Other	7	7
	$ 5,716	$ 5,350

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[1] Saskatchewan. Department of Finance. (2006). *2006-07: Saskatchewan provincial budget: estimates.* Regina. Page 119.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2007:

- the Department had adequate rules and procedures to safeguard public resources except for the matters described below

- the Department complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter relating to employees' pay described later in this chapter

Better management of loan program required

The Department manages The Northern Development Fund (NDF) Loan Program. Under this program, the Department approves fixed-term loans to persons in northern Saskatchewan for economic development. The Department is also responsible to monitor the loans and collect the amounts due.

In our 2005 Report – Volume 3, we recommended that the Department receive and analyze the borrowers' financial and operating information as required by its loan agreements. We made this recommendation because the Department did not have adequate processes to monitor outstanding loans to ensure the loan program is meeting the Department's goals as set out in its performance plan. Although the Department analyses the borrowers' financial and operating information, it does not receive the financial and operating information from all of its borrowers.

In our 2006 Report – Volume 3, we also recommended that the Department follow its established procedures for approving loans and having all required loan documents completed before disbursing loans under the NDF loan program.

The Standing Committee on Public Accounts (PAC) considered these matters in May 2006 and May 2007. PAC agreed with our recommendations.

During the year, the Department hired an independent consulting firm to review the controls over its loan program. After the year-end, the consultant completed the work and provided recommendations for improvement. Management told us the Department plans to implement all of the consultant's recommendations.

We continue to recommend that the Department of Northern Affairs receive and analyze the borrowers' financial and operating information as required by its loan agreements.

We continue to recommend that the Department of Northern Affairs follow its established procedures for approving loans and having all required documents completed before disbursing loans under The Northern Development Fund Loan Program.

Complete policies and procedures for loan and grant programs needed

The Department needs to establish written policies and procedures for its loan and grant programs. Written policies and procedures help ensure that employees have readily available guidance when needed.

When documented and approved, the Department should clearly communicate the policies and procedures to all employees together with reasons for the processes. When employees do not understand the reasons for established policies, they may not always follow the policies.

The Department should document and communicate to employees all of its policies specifically relating to its loan and grant programs. Although the Department has documented some of its policies, they are not complete. The Department needs to complete its policies for its programs. For example, the Department needs to document and approve its policies for:

♦ follow-up of outstanding loan agreements

♦ documenting the follow-up performed for outstanding accounts

♦ classifying accounts as active or inactive

- loan write-offs

- analysis of overall loan performance

Although employees appear to be generally aware of the Department's processes for monitoring loans, they do not always leave evidence that they carried out those processes. For example, we found that several loan accounts did not have any activity, but there was no evidence that these accounts should remain active. Inaccurate assessment of loan status increases the risk that staff may not begin, on a timely basis, procedures to recover assets securing the loans. Also, inaccurate assessment of the loan status results in inaccurate interest earnings.

1.   We recommend that the Department of Northern Affairs document and communicate to employees its processes to administer its loan and grant programs.

As mentioned earlier, management told us the Department plans to implement recommendations of a consulting firm that it hired to recommend improvements to its rules and procedures.

Proper segregation of duties needed

The Department needs to segregate of duties of its employees who administer and operate its loan program. Segregation of duties is not adequate when an employee or a group of employees can perpetrate and hide the misuse of money.

The Department uses a loan database to manage its loan program. The Department could not provide us information about its employees who have specific access to the loan database. We found that two employees had full access to the database and all of its functions. One of these employees also approved loans and loan payments. This lack of segregation could result in disbursement of inappropriate loans without timely detection.

2.   We recommend that the Department of Northern Affairs ensure that employees who approve loans do not have authority to record transactions related to those loans.

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As mentioned earlier, management told us the Department plans to implement recommendations of a consulting firm that it hired to recommend improvements to its rules and procedures.

Better control over employees' pay needed

The Department needs to better control employees' pay.

During the year, the Department reviewed its payroll costs during its review of monthly financial reports. However, the Department did not adequately review the accuracy of key payroll data for each pay period prior to paying employees. As a result, employees' pay has not been approved in accordance with *The Financial Administration Act, 1993.*

This weakness increases the risk that employees may be paid incorrect amounts.

3.   We recommend that the Department of Northern Affairs adequately review the payroll for accuracy prior to paying its employees to ensure that all employees' pay is approved in accordance with *The Financial Administration Act, 1993.*

Service agreement needed

The Department does not have a written service agreement with the Department of Finance (Finance). Finance provides payroll services to the Department.

In the past, the Department of Industry and Resources provided the Department payroll services. The Department had an agreement with the Department of Industry and Resources.

A service agreement for payroll services would describe the services the other department would provide (e.g., as timecard entry, new employee set up), the service delivery targets (such as timeframe for entering timecards), and any other terms. The Department should make such an agreement with Finance that would clearly set out the roles and responsibilities of both Finance and the Department.

Without a signed service agreement. there is a risk that the Department may not receive the services it needs. Also, written agreements are useful to resolve any future dispute because the agreement would have the roles and responsibilities of both parties documented.

4.   We recommend that the Department of Northern Affairs make an appropriate service agreement with its payroll services provider.

Property Management

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Main points

In this chapter, we report the results of our audit of the Department of Property Management for the year ended March 31, 2007. We concluded that the Department had adequate processes to safeguard its public resources except it should:

- review and approve payroll prior to paying employees
- develop an information technology strategic plan to help management know if it has addressed all the threats and risks to the Department's security
- follow its established information technology policies and procedures to help ensure the confidentiality, integrity, and availability of information systems and data
- have a complete business continuity plan so it can continue to deliver its programs and services in the event of a disaster
- improve its human resource plan by providing measurable indicators and targets for its key strategies to help the Department monitor its progress
- prepare and independently review and approve all significant reconciliations promptly to reduce the risk that its accounting records and financial reports are not accurate and complete

Introduction

The mandate of the Department of Property Management (Department) is to provide property management and other support services to government agencies including such services as providing accommodation, property management, furnishings and supplies, transportation, purchasing, risk management, records management, telecommunications, and mail services.[1]

The Department's three goals are:
* effective and value-added service
* sustainable property infrastructure
* partnerships that benefit government and communities

In 2006-07, the Department had expenses of $297 million. It recovered $190 million of its costs from departments and $65 million from commercial operations.

The Department also manages a vast and varied amount of infrastructure and assets for the provincial government. At March 31, 2007, the Department held capital assets totalling $391 million.

Information about the Department's revenues and expenses appears in its annual report (www.spm.gov.sk.ca).

Audit conclusions and findings

In our opinion, for the year ended March 31, 2007:

* the Department had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter

* the Department complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter reported in this chapter

[1] Department of Property Management Performance Plan 2006-2007, pp. 4.

The chapter also provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented.

Improve the reconciliation process

In our 2006 Report – Volume 3, we recommended the Department prepare and independently review and approve all significant reconciliations promptly.

In June 2007, the Standing Committee on Public Accounts (PAC) considered this matter and agreed with our recommendation.

During the year, the Department started preparing and reviewing various reconciliations to the general ledger in a timely manner. However, we continued to find that the Department did not prepare timely daily reconciliations for its car rentals. Also, car rental billing reconciliations still lack evidence of independent review.

If reconciliations are not timely and independently reviewed and approved, the Department is at risk that its accounting records and financial reports may not be accurate and complete. This could result in the Department not collecting enough money to cover its related costs or over charging government agencies.

We continue to recommend that the Department of Property Management prepare and independently review and approve all significant reconciliations promptly.

Better control over employees' pay needed

The Department needs to better control employees' pay.

During the year, the Department reviewed its payroll costs during its review of monthly financial reports. However, Department did not adequately review the accuracy of key payroll data for each pay period prior to paying employees. As a result, employees' pay has not been approved in accordance with *The Financial Administration Act, 1993*.

This weakness increases the risk that employees may be paid incorrect amounts.

1. We recommend that the Department of Property Management adequately review the payroll for accuracy prior to paying its employees to ensure that all employees' pay is approved in accordance with *The Financial Administration Act, 1993*.

Follow information technology security policies and procedures

The Department needs to follow its information technology (IT) security policies and procedures.

IT security policies and procedures help ensure the confidentiality, integrity, and availability of information systems and data. For example, good security requires that only authorized people can access an IT system, which may contain sensitive data such as credit card information. Without adequate monitoring of compliance with IT policies and procedures, the Department's data is at risk of disclosure, modification, or loss.

The Department has IT security policies and procedures that define staff roles and responsibilities. The policies and procedures identify processes needed for strong security including user access, physical security, change management, and systems maintenance and recovery. The policies and procedures also set out monitoring requirements.

The Department has processes for protecting its network. The Department is not always using and monitoring these processes. As a result, the Department may not identify attempted or successful security breaches. Also, the Department did not follow its change management processes during the year.

In our 2006 Report – Volume 3, we recommended the Department follow its established information technology (IT) security policies and procedures.

In June 2007, PAC considered this matter and agreed with our recommendation.

We continue to recommend that the Department of Property Management follow its established information technology policies and procedures.

The Department also needs an information technology strategic plan. An information technology strategic plan can help management determine if it has addressed all the threats and risks to the Department's security. The Department did not prepare and approve an information technology strategic plan for the year.

2.   We recommend the Department of Property Management have an information technology strategic plan.

Business continuity plan needed

The Department needs a written, tested, and approved business continuity plan[2] to help ensure that it can continue to deliver its programs and services in the event of a disaster.

The Department must carry out its mandate, even if a disaster disrupts its ability to deliver its programs and services in the usual manner. Without an adequate business continuity plan, the Department is at risk of not being able to deliver its programs and services in a timely manner.

A good business continuity plan must:

♦   have management support including making the required resources available to create and maintain the business continuity plan

♦   be based on a threat and risk assessment including identifying and ranking the Department's critical functions

♦   set out the plan activation and notification procedures, emergency procedures that would be used in the event of a disaster, and steps for the recovery and restoration of key programs and services

♦   be documented, approved by management, and easily accessible when the plan needs activation

♦   be tested initially and on an ongoing basis

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[2] **Business Continuity Plan** (BCP)—Plans by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

- set out policies for ongoing maintenance and updating of the plan

The Department does not have a complete and tested business continuity plan. However, it has staff dedicated to the development of the plan and has started to perform a threat and risk analysis that will allow ranking of its critical business functions.

3.   We recommend the Department of Property Management have a complete business continuity plan.

Better human resource plan needed

The Department had a human resource plan for 2006-07. We assessed this plan against the key elements of a human resource plan.

A good human resource plan needs to set priorities and link to the agency's overall strategic direction. It should identify key human resource risks and gaps that exist in the current and future available resources. The plan should set out strategies and implementation plans to address human resource risks and gaps.

We found the Department's human resource plan identified key human resource risks and gaps, set out priorities to meet its overall strategic direction, and set out strategies and broad action plans to address the human resource risks identified. Measurable indicators and targets were not set out in the plan for its key strategies to help the Department monitor its progress.

4.   We recommend the Department of Property Management improve its human resource plan by providing measurable indicators and targets for its key strategies.

Status of other outstanding recommendations of the Standing Committee on Public Accounts

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter.[3]

PAC REPORT YEAR[4]	OUTSTANDING RECOMMENDATION	STATUS
Department of Property Management		
2005	PAC concurs: 12-3 that the Saskatchewan Property Management Corporation should provide the public with additional information about the extent to which the use of its key infrastructure (i.e. facilities, vehicles, and aircraft) achieved its operational and financial plans, and explain significant differences between actual and planned results.	**Partially implemented** (as at March 31, 2007). The Department does not publish its targets. The Department of Property Management (formerly Saskatchewan Property Management Corporation) continues to follow the Accountability Framework which does not require targets at this time.
2007	PAC concurs: 4-1 that the Saskatchewan Property Management should get prompt feedback from user agencies to monitor the quality of supplies and the performance of suppliers.	**Not implemented** (as at October 31, 2005). A follow-up is planned for 2008-09.
2007	PAC concurs: 4-2 that the Saskatchewan Property Management should monitor compliance with *The Purchasing Act, 2004* whether it purchases the supplies directly or delegates the purchase to public agencies.	**Not implemented** (as at October 31, 2005). A follow-up is planned for 2008-09.

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[3] For the definitions of the key terms used in the table, see Chapter 25 – Standing Committee on Public Accounts pages 398 to 399.
[4] PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

Public Service Commission

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Main points

PSC is a central human resource agency primarily for staff employed by government departments.

PSC is responsible for the computerized human resource administration and payroll system. This system contains the personnel and payroll information. PSC had adequate controls to protect the confidentiality, integrity, and availability of this system with two exceptions. First, it did not have adequate policies and procedures for: monitoring access of staff who use this system, documenting and testing changes made to the system, and providing departments with sufficient information to help them monitor their payroll. Second, although PSC had an approved disaster recovery plan to restore the system in event of a disaster, it had not tested the plan to make certain it works properly.

As a central agency for human resources management, PSC must lead human resources planning within government departments. We found PSC had addressed the two recommendations we made in our 2005 report. It adequately communicates to departments a manageable number of human resource priorities and uses a risk management framework to help identify and analyze of human resource risks.

Finally, we note PSC must complete its own human resource plan and enter into an agreement with the Information Technology Office (ITO) for information technology services it receives from ITO. A complete human resource plan will help it have the right staff at the right time. An agreement with ITO is essential so that PSC can monitor the services ITO provides.

Introduction

This chapter sets out a background of the Public Service Commission (PSC), the results of our audits of PSC, and actions taken on recommendations related to PSC's processes to lead human resource planning.

Background

Under *The Public Service Act, 1998*, PSC provides leadership and policy direction for the human resource management of staff employed primarily by government departments. Government departments employ about 11,000 permanent staff and about 1,000 seasonal staff.

PSC provides the human resource policy framework in which government departments must operate. It is also the employer representative for all the departments in labour negotiations. The quality and strength of PSC's policies and corresponding human resource strategies are important to not only the success of PSC but to the success of the departments.

PSC is also responsible for the new computerized human resource administration and payroll system called the Multi-informational Database Applications human resources and payroll module (MIDAS HR/Payroll) that began operating March 14, 2006. At March 31, 2007, nine departments used MIDAS HR/Payroll to manage employee information (e.g., benefits, salary, job assignment, and training) and process payroll transactions for 21 government agencies (primarily departments).

For further details on PSC's mandate and governing legislation, consult its publications at its website www.gov.sk.ca/psc.

Financial overview

The following are PSC's major programs and spending. For further detail, see PSC's 2006-2007 Annual Report available on its website.

	Original Estimates		Actual
	(in thousands of dollars)		
Central management and services	$	2,150	$ 2,028
Human resource information services		5,890	6,411
Employee relations		1,837	2,020
Aboriginal career connections program		507	624
Human resource client service		3,779	4,385
Capital asset amortization		1,310	1,240
	$	15,473	$ 16,708

Audit conclusions and findings

In our opinion, for the year ended March 31, 2007:

• PSC had adequate rules and procedures to safeguard public resources and comply with authorities governing its activities except for the matters reported in this chapter

• PSC complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing except for the matter relating to employees' pay

Better control over employees' pay needed

PSC needs to better control employees' pay.

During the year, PSC reviewed its payroll costs during its review of monthly financial reports. However, PSC did not adequately review the accuracy of key payroll data for each pay period prior to paying employees. As a result, employees' pay has not been approved in accordance with *The Financial Administration Act, 1993*.

This weakness increases the risk that employees may be paid incorrect amounts.

1. We recommend that the Public Service Commission adequately review the payroll for accuracy prior to paying its

employees to ensure that all employees' pay is approved in accordance with *The Financial Administration Act, 1993.*

Human resource plan needs improvement

In chapter 7 of our 2006 Report – Volume 3, we reported that PSC needed to improve its human resource plan. At March 31, 2007, PSC employed about 142 staff (based on full-time equivalents). Due to its February 2006 reorganization within the PSC, it did not change or update its human resource plan prior to the start of the 2007-08 fiscal year. At August 31, 2007, PSC had developed a revised plan that was not yet approved. We will assess this plan, if approved, in our next audit.

We continue to recommend that Public Service Commission revise its departmental human resource plan to include the following:

◆ a prioritized listing of human resource risks specific to PSC
◆ detailed strategies to bridge identified gaps in human resource needs specific to PSC
◆ assignments of responsibility and deadlines for implementing major strategies[1]

The Standing Committee on Public Accounts (PAC) considered this matter on April 17, 2007 and agreed with our recommendation.

Agreement for information technology services needed

In chapter 7 of our 2006 Report – Volume 3, we reported that PSC needs an agreement with the Information Technology Office (ITO) for services it receives from ITO.

Since March 2006, PSC has used the ITO for certain information technology services without a signed agreement. At August 31, 2007, PSC had not yet signed such an agreement.

A written agreement is essential so that the PSC can effectively monitor services the ITO provides and take corrective or follow-up action as necessary such as adjustments to its processes or policies.

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[1] PSC's human resource guidelines do not require departments to include assignments of responsibility and deadlines for implementing major strategies.

PAC considered this matter on April 17, 2007 and agreed with our recommendation.

We continue to recommend that the Public Service Commission sign a service-level agreement with the Information Technology Office for information technology services.

Leading human resources planning—a follow-up

This section explains that as of August 2007, PSC has addressed adequately two audit recommendations we made in 2005. Our 2005 Report – Volume 1, Chapter 2 described PSC's processes to lead human resource planning. In that report, we recommended that PSC:

- communicate to departments a manageable number of human resource priorities
- use a risk management framework to identify and analyze human resource risks and set acceptable risk levels

The Standing Committee on Public Accounts agreed with our recommendations on June 21, 2005.

Communicating priorities to departments

PSC communicated to departments a reasonable number of priorities for action in 2007. During its planning process, PSC seeks input from all departments. It identifies priorities in response to the requests of departments and input from the Cabinet. It also communicates often with departments about priorities.

Each year, PSC reviews trends and gives departments an *Environmental Scan* that highlights the importance of some issues. For 2007-08, PSC highlighted four themes described as having the greatest impact (i.e., leadership, talent management, employee engagement, and delivery of human resource services).

PSC emphasizes priorities in its *2006-10 Human Resource Plan* often using these themes. The goals and objectives in the *Plan* highlight the Government's human resource priorities. The *Plan* further assists departments to identify priorities by stating in which years PSC expects departments to take action on the identified issues.

Using a risk management framework

PSC now uses a risk management process that addresses the three elements that we recommended. PSC's process guides departments to identify risks, analyze risks (e.g., probability, consequences), and assess acceptable risk levels.

PSC's *Environmental Scan* and other guidelines encourage departments to identify internal or external risks. In its 2005 presentation, PSC named four major types of human resources risks that each department should consider (i.e., strategic, operational, financial, and compliance risks). PSC could further strengthen its guidance by using these four types of risks as a framework to help departments identify a wide range of human resources risks. Detailed examples within this framework would help departments systematically and efficiently recognize significant human resource risks.

PSC's 2007-08 *Human Resources Planning Guidelines* provide good guidance on analyzing risks and assessing risk levels.

Controls over MIDAS HR/payroll

Given PSC's overall responsibility for the MIDAS HR/Payroll module, it must have adequate central controls to secure MIDAS HR/Payroll and its information. Central controls are those controls that PSC must establish and carry out to protect the confidentiality, integrity, and availability of MIDAS HR/Payroll transactions.

Our audit objectives and criteria

We assessed the following:

- the adequacy of the conversion of data from the old computerized human resource and payroll systems (i.e., HRS (Human Resource System) and IPS (Internet Personnel System)) to the MIDAS HR/Payroll system

- whether PSC had adequate central controls to secure transactions on the MIDAS HR/Payroll system for the period from March 14, 2006 to December 31, 2006

To make these assessments, we used criteria based upon the *Trust Services Criteria and Principles* authored by The Canadian Institute of Chartered Accountants, international standards, literature, and reports of other legislative auditors. PSC agreed with the criteria.

Our criteria, set out in the Exhibit 1 below, describe the key processes that we expect PSC to have.

Exhibit 1

Adequate central controls to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/Payroll must include control processes that:

1. **show management commitment to security (governance)**

    1.1 Responsibilities for security are clearly defined
    1.2 Management identifies threats and risks
    1.3 Management has approved security policies and procedures
    1.4 Management monitors security

2. **protect MIDAS HR/Payroll systems and data from unauthorized access**

    2.1 User access controls protect MIDAS HR/Payroll from unauthorized access
    2.2 Physical security controls protect MIDAS HR/Payroll from unauthorized access

3. **have MIDAS HR/Payroll systems and data available for operation**

    3.1 System and data backups occur and are tested
    3.2 Disaster recovery plans are in place and tested

4. **maintain the integrity of MIDAS HR/Payroll systems and data**

    4.1 Management has policies and procedures for managing MIDAS – HR/payroll
    4.2 Change management processes exist and are followed
    4.3 Processes for converting data exist and are followed
    4.4 Management monitors MIDAS HR/Payroll to ensure operating as planned

In this section, we call government agencies that use MIDAS HR/Payroll system "user agencies". User agencies rely on PSC to have adequate central controls and to carry them out properly. User agencies also have responsibilities related to information processed within this system. For example, user agencies are responsible for the accuracy of data entered into the system and for assigning appropriate system access to their staff.

This audit did not assess the adequacy of controls at the user agencies. Rather, it focused on central processes at PSC to ensure MIDAS HR/Payroll was functioning properly.

Throughout our audit, we followed *The Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants.

Our audit conclusions and findings

PSC adequately converted data from the old computerized human resource and payroll systems to MIDAS HR/Payroll.

PSC had adequate controls to protect the confidentiality, integrity, and availability of MIDAS HR/Payroll system for the period March 14, 2006 to December 31, 2006 except:

- PSC did not have adequate policies and procedures for monitoring user access to the system, documenting and testing changes to the system, and providing user agencies with adequate reports to efficiently monitor and approve payroll

- PSC did not test its disaster recovery plan

For each criteria, the following sets out what we expect (in italics), what we found, and related recommendation(s), if any.

Show management commitment to security

We expect PSC to show management commitment to security. Commitment includes setting up a strong organizational structure that clearly defines who is responsible for security. A strong IT division is led by a member of senior management. It is separate from the finance and operating divisions. It has a steering committee to ensure the IT division meets client needs. Commitment also includes implementing and monitoring compliance with security policies and procedures.

PSC has set up an effective IT organizational structure for securing MIDAS HR/Payroll. Staff roles and responsibilities are clearly defined.

Staff meet regularly to discuss MIDAS HR/Payroll issues. PSC has developed security policies and procedures for MIDAS HR/Payroll.

A steering committee, co-chaired by PSC and the Department of Finance, meets regularly to discuss operations and issues with MIDAS HR/Payroll.

PSC has also set up processes to manage its relationship with user agencies. PSC meets monthly with representatives from user agencies to discuss related processes and issues.

Protect MIDAS HR/Payroll systems and data from unauthorized access

We expect PSC to have adequate physical access and user access processes to protect the MIDAS HR/Payroll from unauthorized access.

Good physical controls means protecting IT infrastructure from harm. Physical access controls protect all computers, network devices, disk drives, backup devices, and wiring from unauthorized access. For example, PSC must have processes to prevent unauthorized persons from entering facilities.

User access management means protecting information in the IT system from unauthorized access. Access management is more critical with the increased use of the Internet, on-line approvals, automated processes, and multiple agencies accessing MIDAS HR/Payroll.

User access controls ensure only approved people can use MIDAS HR/Payroll. A common example of a user access control is a username and a password. The username identifies the user and the password grants access. User agencies decide who should have access to their systems and data and what access they can have. They advise PSC of their decisions. User agencies then rely on PSC to make sure only approved employees have access to the system.

The access controls must also establish access rights. Access rights determine what information a user can see or use. Access rights can also segregate duties of employees.

PSC has good physical security controls for protecting MIDAS HR/Payroll. PSC has contracted SaskTel to operate and protect access to the computer networks related to the MIDAS HR/Payroll system. Under its contract with SaskTel, PSC receives an audit report annually on the adequacy of SaskTel's related controls. Also, PSC secures its offices after hours.

PSC has clearly defined user roles within MIDAS HR/Payroll and appropriately separated the duties of each of these roles. User agencies are responsible for assigning roles to their staff in a way that is appropriate based on their operations and needs.

PSC has processes for granting and removing user access to MIDAS HR/Payroll. For example, only authorized persons at a user agency can approve requests to change user access including new hires and terminations. PSC determines whether the change request is properly authorized before it changes a user's access.

For the period of our audit, PSC did not have a process for periodically reviewing user access. For example, PSC should require each agency to confirm periodically that its users continue to have appropriate access. PSC did not do this and as a result, we found terminated employees that still had access to MIDAS HR/Payroll.

The confidentiality and integrity of MIDAS HR/Payroll depends on both PSC and each user agency protecting the system from unauthorized access. PSC must have processes to monitor user access assigned by user agencies to MIDAS HR/Payroll, and to take corrective action where access may no longer be appropriate.

2.   We recommend the Public Service Commission have policies and procedures for monitoring user access to MIDAS HR/Payroll.

Management told us in, July 2007, PSC has implemented a process to have user agencies review and approve user access periodically.

Ensure MIDAS HR/Payroll systems and data are available for operation

We expect PSC to have strong processes to ensure MIDAS HR/Payroll systems and data are available for operation when needed. To reduce the amount of downtime for MIDAS HR/Payroll, PSC needs good backup and recovery procedures.

Even with good backup and recovery procedures, MIDAS HR/Payroll may not be able to continue its operations if a major problem occurs. Therefore, PSC should have strong contingency plans to recover operations in the event of a disaster like a fire or flood.

PSC has adequate backup procedures and does backups daily. To ensure its backups will be available in the event of a disaster, PSC keeps its backups offsite.

PSC has developed and approved a disaster recovery plan to restore MIDAS HR/Payroll in the event of a disaster. However, PSC has not tested the plan to ensure that MIDAS HR/Payroll will operate properly if a disaster occurs.

3.   We recommend the Public Service Commission test its disaster recovery plan for MIDAS HR/Payroll.

Management told us in, July 2007, PSC had completed disaster recovery testing for MIDAS HR/Payroll.

Ensure the integrity of the MIDAS HR/Payroll systems and data

We expect PSC to have processes for maintaining the integrity of MIDAS HR/Payroll systems and data by implementing strong change management and operational processes. Processes would include the approval and testing of system changes before implementation and management of the MIDAS HR/Payroll system. Also, we expect PSC to monitor MIDAS HR/Payroll to ensure it operates as planned.

PSC had an adequate process for converting data from the old HRS and IPS payroll systems to MIDAS HR/Payroll.

PSC has developed policy and procedure manuals to help staff perform their MIDAS HR/Payroll related responsibilities. However, PSC needs to keep these manuals up-to-date as processes change. PSC has trained its staff and user-agency staff to use MIDAS HR/Payroll.

PSC has adequate processes for making changes to its systems. PSC has developed change management policy and procedures and uses a change management committee, which meets weekly to review changes. However, PSC did not always document its testing or approval of testing for changes to the system. Therefore, we do not know what tests were completed for changes, who approved the testing, or the test results.

4.   We recommend that the Public Service Commission document and test changes to the MIDAS HR/Payroll system.

User agencies are responsible for the accuracy of the information they enter into MIDAS HR/Payroll. PSC retains responsibility for the accuracy of the processing of the information entered.

PSC has started to develop processes for managing MIDAS HR/Payroll to ensure it operates as planned. It carries out reconciliations to determine the accuracy of processing of information entered by user agencies.

MIDAS HR/Payroll has validation processes for data entered by user agencies such as timecard information. This limits the risk of user agencies entering unreasonable data. However, MIDAS HR/Payroll does not have built-in validation processes (edit checks) for all key data. Nor does MIDAS HR/Payroll automatically report or highlight to user agencies all instances where an employee's payroll amount is in excess of a reasonable amount (reasonability checks). For example, during the year, a former employee received a vacation payout approximately $120,000 above the amount owed. The Government recovered the overpaid money. However, use of edit checks (such as dollar amount limits on vacation payouts) or reasonability checks may have prevented the error.

During the year, payroll reports were available to user agencies that outlined the net pay for all employees after each pay run. However, these reports did not help user agencies to identify errors or exceptions efficiently. Without such exception reports, user agencies cannot easily

tell if data they have entered into the system is incorrect. This increases the risk that employees may be paid incorrect amounts without timely detection by the user agency.

The Financial Administration Act, 1993 requires proper approval of all payments for goods and services, including payroll, by an authorized person. Under the old human resource/payroll system, authorized signers reviewed and approved reports produced by HRS. MIDAS HR/Payroll does not produce similar reports to assist user agencies to approve payroll payments in accordance with section 30 of *The Financial Administration Act, 1993.*

5.　　We recommend that the Public Service Commission provide user agencies with reports from MIDAS HR/Payroll to help them monitor the accuracy of payroll and approve payroll payments in accordance with *The Financial Administration Act, 1993.*

Management told us that reports are being developed to provide additional details needed to monitor payroll payments. Management also told us that during system development, they considered additional database edits but decided not to introduce such edits because they were not supported by the software vendor.

Selected references for controls over MIDAS/HR payroll

Canadian Institute of Chartered Accountants. (CICA). (2003). *Trust services principles and criteria.* Toronto: Author.

Canadian Institute of Chartered Accountants. (CICA). (1998). *Information technology control guidelines.* Toronto: Author.

International Organization for Standardization. (2005). ISO/IEC 17799:2005(E). *Information technology – Code of practice for information security management: 2nd Edition.* Geneva: Author.

The Information Systems Audit and Control Foundation. (2005). *CoBiT-governance, control and audit for information and related technology: 4th Edition.* Rolling Meadows, IL: Author.

Regional Economic and Co-operative Development

21

Main points

The Department of Regional Economic and Co-operative Development (Department) did not review the accuracy of key payroll data for each pay period prior to paying employees. This weakness increases the risk that employees may be paid at incorrect amounts.

The Department needs Order in Council approval before making agreements requiring payments greater than $50,000. During the year, it paid $705,080 to the Saskatchewan Snowmobile Fund under an agreement that was not approved by Order in Council.

Introduction

The mandate of the Department of Regional Economic and Co-operative Development (Department) is to lead, coordinate, and implement policies, strategies, and programs that stimulate and facilitate regional economic development. The Department provides entrepreneurs, small businesses, co-operatives, organizations, and communities with services and advice which focus on business information, opportunities, business retention and expansion, and strategic partnerships.[1]

Financial overview

The following is a list of the Department's major programs and spending:

	Original Estimates	Actual
	(in thousands of dollars)	
Central management and services	$ 1,967	$ 2,112
Policy and planning	680	688
Investment programs	4,850	4,712
Industry development	2,967	3,167
Cooperatives	647	655
Capital asset amortization	40	27
	$ 11,151	$ 11,361

The Department also made loans to small business associations of $4,080,555 (Original Estimates – $5,650,000) and received repayments of $3,708,349 (Original Estimates – $4,400,000).

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2007:

♦ the Department had adequate rules and procedures to safeguard public resources except for the matter reported in this chapter

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[1] Source: www.recd.gov.sk.ca/Strategy (Accessed 20 August 2007)

- the Department complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter

Better control over employees' pay needed

The Department needs to better control employees' pay.

During the year, the Department reviewed its payroll costs during its review of monthly financial reports. However, it did not adequately review the accuracy of key payroll data for each pay period prior to paying employees. As a result, the Department did not approve employees' pay in accordance with *The Financial Administration Act, 1993*.

This weakness increases the risk that employees may be paid incorrect amounts.

1. We recommend that the Department of Regional Economic and Co-operative Development adequately review the payroll for accuracy prior to paying its employees to ensure that it approves all employees' pay in accordance with *The Financial Administration Act, 1993*.

Payments to Saskatchewan Snowmobile Fund made without approval

The Department did not obtain the required approval for payments made to the Saskatchewan Snowmobile Fund (Fund) totalling $705,080.

The Economic and Co-operative Development Act requires the Department to obtain Order in Council approval before making agreements where it is liable to make payments greater than $50,000. In 2006, the Department made a three-year agreement to pay the Fund an amount equal to the amount of snowmobile registration fees collected by the Government. The Department paid the Fund $705,080 under this agreement in 2006-2007. It did not obtain Order in Council approval for this agreement.

2.   We recommend that the Department of Regional Economic
        and Co-operative Development obtain Order in Council
        approval for agreements where it is liable to make payments
        greater than $50,000 as required by *The Economic and Co-
        operative Development Act*.

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Saskatchewan Gaming Corporation

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Main points

In this chapter, we report the results of our audit of the Saskatchewan Gaming Corporation (SGC) for the year ended March 31, 2007.

SGC has established adequate policies but it needs to improve its compliance with approved policies relating to marketing and promotion, employees' performance evaluations, and completion of the code of conduct questionnaire. Also, SGC needs to further improve its human resource plan.

Introduction

Saskatchewan Gaming Corporation (SGC) manages and operates Casino Regina and Casino Moose Jaw under the regulatory authority of the Liquor and Gaming Authority. *The Saskatchewan Gaming Corporation Act, 1994* established SGC.

Casino Regina is a full-service casino and entertainment centre. Casino Regina has slot machines, table games, a full-service restaurant, and a show lounge. Casino Moose Jaw is also a full-service casino that has slot machines and table games. SGC has a total of 995 slot machines and 41 table games in its casinos.

SGC also owns SGC Holdings Inc. (SGC Holdings). SGC Holdings is a corporation registered under *The Business Corporations Act (Saskatchewan)*. SGC Holdings purchases capital assets and leases them to SGC for the operation of the above casinos. SGC's financial statements include the financial results of SGC Holdings.

SGC's consolidated financial statements for the year ended March 31, 2007 report net revenues of $102 million, expenses of $67.1 million, net income of $34.9 million, and assets of $72.3 million. *Saskatchewan Gaming Corporation-Annual Report, 2006-2007* includes SGC's consolidated financial statements.

Our audit conclusions and findings

In our opinion, for the year ended March 31, 2007:

- SGC had adequate rules and procedures to safeguard its public resources and those of SGC Holdings except for the matters described in this chapter

- SGC complied with authorities governing its activities and the activities of SGC Holdings relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing

- the consolidated financial statements for SGC and the financial statements for SGC Holdings are reliable

Compliance with policies and procedures needs improvement

SGC's Board of Directors needs to ensure management and employees comply with established policies and procedures.

To help ensure they have effective controls to safeguard public resources, public agencies provide guidance to their employees. SGC's Board of Directors has established appropriate guidance for its employees to follow. However, employees did not always follow those policies as described below.

We also reported this matter in our 2006 Report – Volume 3 and our past reports. We recommended that SGC should comply with approved policies relating to employees' performance evaluations, code of conduct, and marketing promotions. The Standing Committee on Public Accounts (PAC) considered this matter in June 2007 and agreed with our recommendation.

We describe below the areas where employees did not comply with the established policies and procedures.

Coupons

SGC provides coupons to its patrons for marketing and promotion purposes. SGC requires its employees to maintain adequate records (log books) of authorized coupons printed, issued, and returned. In 2007, SGC issued approximately $5.4 million of coupons to patrons.

Employees did not properly maintain the log books. As a result, the log books did not always agree to the actual number of coupons on hand. Inadequate controls over coupons could result in unauthorized or inappropriate use of coupons without ready detection.

Employees' performance evaluations

SGC's performance evaluation policy requires supervisors to evaluate employees' performance annually. Performance evaluations help ensure employees perform their duties as expected. Senior management also

needs this information to develop adequate training plans to help ensure employees have the necessary competencies to do their assigned work.

Employees did not always follow the performance evaluation policy. While the completion rate of performance evaluations has improved over the prior year, approximately 30% of the employees' files did not include completed performance evaluations.

Management told us that SGC continues to work towards completing performance evaluations for its entire staff. Management also told us that at June 30, 2007, SGC had completed annual performance evaluations for 76% of its employees.

Code of conduct

SGC's code of conduct policy sets out its shared ethical values and expectations concerning employee behaviour. The policy requires that, upon hiring and annually thereafter, employees complete a questionnaire. The employees confirm that they have read and understood the code of conduct and that they agree to abide by the code. SGC expects its employees to confirm their understanding of the code during their annual performance evaluation.

Because SGC did not complete annual performance evaluations for all of its employees, many employees did not complete the form and reconfirm their understanding of the code of conduct. Failure to complete the code of conduct form may indicate that employees are not aware of SGC's expectations concerning their behaviour. When employees do not know their employer's expectations, there is a risk that they may make inappropriate decisions or take inappropriate actions.

Management told us that SGC continues to work towards completing performance evaluations for its entire staff including seeking confirmation of employees' understanding of the code of conduct.

Marketing promotions (promotions)

SGC's promotions policy requires that all promotions be properly supported, approved, and adequately monitored. The approved policy

specifically requires a timely and documented evaluation of each completed promotion event.

Employees did not complete timely post-event evaluations for all promotions. Employees did not complete post-event evaluations for at least three months after some promotion events. As a result, SGC could not determine on a timely basis if it achieved its objectives for those promotional activities.

We continue to recommend that the Saskatchewan Gaming Corporation comply with approved policies relating to coupons, employees' performance evaluations, code of conduct, and marketing promotions.

Better human resource plan needed

SGC needs to improve its human resource plan. Rigorous human resource plans help ensure agencies have the right number of employees, with the right competencies, at the right time.

We also reported this matter in our 2006 Report – Volume 3. We recommended that SGC improve its human resource plan by prioritizing its key human resource risks, analyzing human resource gaps, and setting out plans to address human resource gaps. PAC considered this matter in June 2007 and agreed with our recommendation.

SGC has prepared a human resource plan. The plan includes some discussion about SGC's key human resource risks, but it does not analyze or prioritize the identified risks (i.e., likelihood, nature, and consequences or risks). The plan identifies a risk of resource shortages because of gaming expansion and increased competition, but does not set out how SGC would address that risk. Also, the plan does not identify SGC's future human resource needs to meet its goals and objectives and it does not identify and analyze anticipated shortfalls or surpluses (gaps).

We continue to recommend that the Saskatchewan Gaming Corporation improve its human resource plan by prioritizing its key human resource risks, analyzing human resource gaps, and setting out plans to address human resource gaps.

Management told us that SGC has recently developed a more comprehensive human resource plan.

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Main points

Each year, SaskPower buys over $450 million of goods and services. This chapter focuses on adequacy of SaskPower's processes at July 31, 2007 to buy goods and services with individual transaction amounts of less than $100,000. It reports that SaskPower had adequate purchasing processes over these transactions except it needs to do the following:

- consistently follow its established processes that require its staff to: set out the reasons for selecting the purchase method used, and obtain the required approval of purchases before making the purchase decision
- provide its staff with guidance on setting acceptable bid submission deadlines for goods and services that it purchases
- track problems with key suppliers and make this information available for purchasing decisions

Introduction

SaskPower is the principal supplier of electricity in Saskatchewan, operating primarily under the mandate and authority of *The Power Corporation Act*. SaskPower's mission is to deliver power in a safe, reliable, and sustainable manner.

Effective acquisition of goods and services is crucial to SaskPower. As set out in its purchasing objective, it expects "to ensure SaskPower and its subsidiaries purchase goods and services in a manner that maximizes value, competition, and fairness and results in the best possible balance of benefits to SaskPower and to the people of Saskatchewan."[1]

Each year, excluding its salaries and related benefits, SaskPower buys over $150 million of goods and services (e.g., materials, contract management) and, in 2007, it plans to spend about $300 million on capital projects. Capital projects include turbine and boiler upgrades, transmission lines, and wood pole replacement. Each year, SaskPower does business with over 5,000 suppliers.

In this chapter, we report the results of our audit of SaskPower's processes to buy goods and services.

Audit objective and criteria

The objective of this audit was to assess the adequacy of SaskPower's processes to buy goods and services valued at under $100,000 for the seven-month period ending July 31, 2007.

We looked at processes related to the purchase of goods and services[2] with individual transaction amounts of less than $100,000. We included goods, materials, supplies, and equipment; we did not include salaries and related benefits.

On average, goods and services with individual transaction amounts of less than $100,000 account for nearly 98% of SaskPower's purchase transactions and for about one-third of dollars it spent. Decisions for

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[1] *SaskPower Purchasing Policy and Procedures*, September 2007, p. 4.
[2] SaskPower's Purchasing Policy and Procedures interpret goods and services as any labour, services, goods, materials, supplies or equipment.

smaller purchases normally require the involvement of fewer staff. Decisions for larger purchases typically require involvement of more staff and, at times, that of the Board.

We assessed SaskPower's processes against the criteria summarized in Exhibit 1. We selected these criteria based on our review of relevant literature and those used by other legislative audit offices. SaskPower agreed with these criteria. We describe the criteria in more detail under key findings.

Exhibit 1 – Processes to buy goods and services audit criteria

Adequate processes to buy goods and services include:

- Defining the need and specifications for required goods and services
- Obtaining quotations fairly
- Selecting suppliers for required goods and services
- Monitoring performance of the processes to buy goods and services

We followed the *Standards for Assurance Engagements* established by The Canadian Institute of Chartered Accountants in carrying out this audit.

SaskPower has set out purchasing guidance primarily in its *Procurement to Payment Policy and Procedures Manual.*[3] In the summer of 2007, SaskPower updated some of its purchasing guidance. In September 2007, SaskPower's Board approved the *Purchasing Policy and Procedures Manual* (2007 Manual). Policies and procedures in the 2007 Manual come into effect on January 1, 2008.

Unless stated otherwise, "written policies and procedures" and "purchasing guidance" refer to guidance in manuals in effect at July 31, 2007.

Conclusion and findings

- For the seven-month period ending July 31, 2007, SaskPower had adequate processes to purchase goods and services valued at

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[3] *SaskPower Procurement to Payment Policy and Procedures Manual*, SaskPower, September 24, 2004.

under $100,000 except for the matters described in the recommendations below.

The following describes our expectations (in italics), key findings, and related recommendation(s) by criteria.

Defining the need and specifications for required goods and services

To define the need and specifications for required goods and services, we expected SaskPower to have processes that would
- *define the need in sufficient detail for understanding*
- *define specifications to encourage open and effective competition*
- *specify other requirements (e.g., warranty, delivery, packaging)*
- *use specifications that support government policy*

SaskPower has reasonable written policies and procedures that guide its staff in making purchase decisions. Both SaskPower's Executive Committee and Board of Directors approve these policies and procedures through their approval of the related manuals.

SaskPower's purchasing guidance requires staff to define the purchase requirements, in writing, in sufficient detail for suppliers to understand. The level of detail varies depending on the size and nature of the required goods or services.

Also, for most purchases over $25,000, its written policies require staff to justify, in writing, why the purchase is necessary. For some types of purchases, SaskPower relies on other processes to determine when a purchase is necessary. For example, it relies on programmed reorder points[4] and maximum inventory levels for the purchase of certain inventory items. Although not explicitly required in its written policies, SaskPower's business units, that manage inventory, re-evaluate re-order points and inventory levels periodically.

In the 2007 Manual, SaskPower more clearly assigned responsibility to monitor reorder points and maximum inventory levels to determine that

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[4] The point which, when inventory reaches a pre-determined number of items, an order to replenish the stock is automatically issued.

the levels are based on SaskPower's needs.[5] However, the manual did not set out when staff must re-evaluate them.

For goods that it expected to acquire on an on-going basis, SaskPower evaluated products and related suppliers to determine whether they meet its standards and requirements. It kept track of them electronically on an approved products list.

Generally, we found that SaskPower set specifications that encouraged open and effective competition. Purchase documents clearly showed the product or service requirements; the requirements were generally not restricted to specific brand names. In some cases, due to safety and quality standards, requested products were limited to those on the approved product list. Also, instructions to suppliers usually included a request for suggested alternatives that might also fit SaskPower's needs.

SaskPower sufficiently described other requirements. These included insurance coverage, delivery dates, bar coding requirements, detailed plans for rejected products (i.e. rework or disposal), and relevant government policies.

Its tender documents and contracts routinely included standard terms and conditions that made it clear to suppliers that they must follow the law. Also, where appropriate, the tenders and contracts included terms about occupational health, safety, transport of dangerous goods, and labour standards.

SaskPower also encouraged suppliers to ask for more detail or clarification of its requirements. When SaskPower thought its response to a supplier's question would benefit all participating suppliers, it shared this information.

Obtaining quotations fairly

To obtain quotations fairly, we expected SaskPower to have processes that would:

- *give equitable and fair treatment to potential suppliers*

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[5] *SaskPower Purchasing Policy and Procedures.* September 2007, p. 46.

- *identify feasible sources of supply*
- *obtain appropriate authorization to initiate purchase*

SaskPower's guidance to staff requires staff to carry out an "adequate review of potential suppliers to ensure maximum participation from qualified firms and to achieve maximum benefit for the corporation and the Province of Saskatchewan."[6]

Its policies require staff to use approved purchase methods for specific situations. These methods include using purchase orders, tenders, contracts, or single sourcing.

The criteria for each purchase method are based, primarily, on the estimated dollar size of the purchase and the nature of the goods or services to be purchased. In general, SaskPower's guidance sets out:

- where a purchase order is not required (such as purchases less than $2,500)
- where a purchase order is required (such as purchases between $2,500 and $5,000)
- where use of tender is required (purchases over $5,000)
- where contracts are negotiated (e.g., for purchases of real property, natural gas)
- what to do when only one vendor/supplier is determined as being capable of providing the goods or services required (single sourcing)

Its guidance further requires staff to use purchase orders for purchases made as part of long-term contracts.[7]

As a rule, as the estimated purchase amount increases, SaskPower requires increased involvement of senior management in the purchase decision. Also, as the estimated purchase amount increases, SaskPower requires staff to more extensively and formally identify and document feasible sources of supply. Selecting the appropriate purchase method is critical in making sure potential suppliers are treated equitably and fairly.

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[6] *SaskPower Procurement to Payment Policy and Procedures Manual,* SaskPower, September 24, 2004, section 1-5.

[7] *SaskPower Procurement to Payment Policy and Procedures Manual,* SaskPower, September 24, 2004.

Also, SaskPower is sensitive to the potential for conflicts of interest between its staff and potential suppliers. The Code of Conduct requires staff to avoid all real or perceived conflict of interest situations. Both suppliers and staff are provided with guidance on steps to take where either party becomes aware of the potential for a conflict of interest. Management told us it treats breaches seriously (e.g., disqualification of bid).

For the most part, SaskPower identified feasible sources of supply. It kept listings of suppliers and potential suppliers along with their related products. For example, to build new relationships with suppliers and maintain existing ones, it held supplier open house sessions throughout Saskatchewan. For larger purchases requiring tender, it provided staff with sound guidance on the tender process and ways to identify potential suppliers. For example, it developed bidder lists primarily through vendor registration. It used its website to provide potential suppliers with information on how to register as a bidder.

During our audit, for most but not all items tested, the purchase method that staff selected to make the purchase with appeared reasonable; where choices were available, staff documented the reasons for their decisions; staff followed the process expected for the selected purchase method; and staff obtained the necessary approvals. However, we noted instances where:

♦ the rationale for selecting the purchase method used was unclear and as a result, we could not determine if the method was appropriate

♦ staff did not obtain the required approval before finalizing the purchase decision

♦ the time between the issuance of the tender and submission deadline seemed unnecessarily short

Staff must document its rationale in situations where it determines that only one supplier is capable of providing the goods or services required (sometimes referred to as single sourcing) and obtain additional approvals. Staff did not always follow this process. For example, in one instance, staff did not document the reason for this decision and did not obtain the required additional approval for single sourcing. In another example, staff documented the reason for single sourcing and sought the required additional approval after making the purchase decision.

SaskPower's guidance suggests staff use requests for proposals more frequently when seeking competitive bids. We noted one instance where staff did not document the reason for inviting selected suppliers to submit bids (i.e., invitation to tender) instead of using a request for proposal. [8,9] Both "invitation to tender" and "request for proposal" are competitive bid purchasing methods.

Furthermore, in another instance, staff did not obtain the required approval of the appropriate level of management prior to making the purchase decision.

1.   We recommend that where SaskPower allows for a choice of an approved purchase method, it consistently follow its established processes that require its staff to document the rationale for the method chosen.

The 2007 Manual more clearly sets out the criteria for each approved purchase method. This additional guidance should help staff better document the rationale for the purchase method chosen.

2.   We recommend that SaskPower consistently follow its established processes that require its staff to obtain the appropriate approval of the purchase prior to finalizing the purchase decision.

To treat suppliers equitably and fairly, SaskPower accepts late bids only in exceptional circumstances and had well-defined processes to handle the submission of bids with one exception. [10] It does not provide staff with guidance on setting acceptable submission deadlines. [11] Such guidance would help ensure suppliers have a reasonable amount of time to submit bids.

For purchases sent to suppliers for bids (e.g., invitation to tender, request for proposal, and request for quotation), suppliers need sufficient time to

[8] An invitation to tender is a formal communication to selected suppliers inviting them to submit bids for supplying specified goods and/or services.
[9] A request for proposal or request for quotation are open invitations to suppliers inviting them to submit bids for supplying specified goods and/or services.
[10] A bid is the price and conditions at which a supplier is willing to provide the requested goods and/or services.
[11] Bid submission deadline is last date on which an agency would accept bids from suppliers.

evaluate the request, and prepare and submit a bid. A shorter time can reduce the number of bids submitted and may impact the quality of the bids. At times, a short time is unavoidable due to emergencies or unforeseen circumstances; at other times, a short time may result from insufficient planning or scheduling.

We noted several instances where the time between the invitation or request and deadline was five days or less. We found that the short time was not always due to emergencies or unforeseen circumstances. In one of these instances, only two suppliers responded instead of the desired minimum number of three.

3.   We recommend that SaskPower provide staff with guidance on setting acceptable bid submission deadlines.

Management told us SaskPower agrees with the above recommendations and plans to take the following steps to address these concerns:
♦   A new Purchasing Policy and Procedures Manual (the policy) that provides increased clarity regarding appropriate purchasing processes has been developed and was approved by the SaskPower Board of Directors in September 2007.
♦   Training on the new Purchasing Policy and Procedures will commence on November 14, 2007, for employees who participate in the procurement process. A number of sessions will take place prior to year-end with additional sessions planned in 2008.
♦   SaskPower is developing reporting on non-compliance with the policy which will be provided to the Executive on a regular basis beginning in the first quarter of 2008.

Selecting suppliers for required goods and services

To select suppliers for required goods and services, we expected SaskPower to have processes that would:
♦   *evaluate potential supplier(s) for best value (e.g. for tenders, use same process for all bids - evaluate price, quality, delivery, service, warranty; for non-tendered purchases, use consistent process for similar goods and services)*
♦   *obtain appropriate approval to buy goods and services*
♦   *inform bidders of tender decision*

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SaskPower provides its staff with reasonable guidance on evaluating suppliers and sets out the appropriate approval necessary to buy goods and services.

We found SaskPower adequately evaluated identified potential suppliers based on specifications set and purchase method selected. Where it used tenders, SaskPower contacted successful and unsuccessful bidders, as required, to inform them of the tender decision. However, it did not tell unsuccessful bidders or suppliers why they were not successful (e.g., the product was not on the approved products list). Unless confidentiality or competitive reasons exist, providing feedback to unsuccessful suppliers, on a proactive basis, can improve relationships and may create a valuable future source of goods or services. Informing bidders of tender decisions also helps make purchase decisions more open and transparent.

Monitoring performance of the processes to buy goods and services

To monitor performance of the processes to buy goods and services we expected SaskPower to:

- *take internal action on performance problems*
- *report performance problems to suppliers*

As part of its payment process, staff must document the receipt of the goods or services. To do this, staff must monitor whether SaskPower received the expected goods or services. Staff are expected to handle issues with suppliers or products on a case-by-case basis. However, receipt of the good or service does not necessarily mean that SaskPower was satisfied with the quality of that good or service (that is, the performance of the supplier or product).

We found that SaskPower used its approved products list to keep track of the quality of products it expected to acquire on an ongoing basis.

SaskPower encouraged staff to report performance problems to suppliers through use of a form (i.e., Supplier Corrective Requests). These forms help staff outline the problem and set out action taken. Suppliers can then work with SaskPower to correct the problem.

As previously noted, SaskPower kept lists of suppliers. In its 2007 Manual, SaskPower provided staff with additional guidance on making changes to supplier lists. This included setting out acceptable reasons for removing a supplier from its lists (such as documented ongoing problems).

Only one business unit (i.e., Transmission and Distribution) consistently tracked problems with products and suppliers (through its material defects database). Some others, such as the purchasing division, documented issues with individual suppliers' performance. However, information kept was not summarized or easily accessible to others within the corporation. Not keeping track of supplier performance increases the risk that SaskPower may continue to use suppliers with known performance problems. Given the large number of suppliers with whom it does business, SaskPower would need to focus on keeping information on those suppliers whose goods and services are important to its ongoing operations. Keeping information on key suppliers' performance, in a usable format, would help SaskPower better use this information when making purchase decisions.

4.   We recommend SaskPower track problems with key suppliers and make this information available for purchasing decisions.

If a supplier contacts SaskPower about problems, SaskPower works with the supplier to resolve the issue. In June 2007, SaskPower surveyed a number of randomly-selected suppliers. It asked them about their experience with and perceptions of SaskPower. The survey provided SaskPower with objective information on areas where it performed well and a few areas where it could improve. SaskPower used the survey results when developing its 2007 Manual.

Management told us SaskPower plans to examine methods for improving the way that it tracks and shares performance information on its key suppliers in 2008.

Saskatchewan Research Council

24

Main points

In this chapter, we report the results of our audit of the Saskatchewan Research Council (SRC). To carry on its business, SRC relies extensively on its information technology systems. SRC needs to implement appropriate security controls to protect its information technology systems and data from unauthorized access. This includes improving how it manages employee access and how it protects its systems and data from security threats. SRC also needs to know that it can recover systems and data in the event of computer problems or a disaster. SRC should test its information technology disaster recovery plan.

Introduction

The mission of the Saskatchewan Research Council (SRC) is to help the people of Saskatchewan strengthen the economy with quality jobs and a secure environment. It does this through research, development, and transfer of innovative scientific and technological solutions, applications, and services. SRC is a body corporate which receives monies appropriated by the Legislature for these purposes. It is also empowered to conduct research under contract for others and to receive financial assistance pursuant to agreements with other agencies.

In 2007, SRC had revenue of $36.4 million and expenses of $34.1 million. At March 31, 2007, SRC held assets of $26.3 million.

SRC also manages the Saskatchewan Research Council Employees' Pension Plan (Plan). At December 31, 2006, the Plan held assets of $22.4 million and had a surplus of $278,000.

Audit conclusions and findings

In our opinion, for the year ended March 31, 2007:

- SRC had adequate rules and procedures to safeguard public resources except for the matters reported below

- SRC complied with the authorities governing its and the Plan's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing

- SRC's and the Plan's financial statements are reliable

Information technology processes need improvement

To carry on its business, SRC relies extensively on its information technology systems.

SRC needs to implement appropriate security controls to protect its information technology systems and data from unauthorized access. This

includes improving how it manages employee access and how it protects its systems and data from security threats.

SRC needs to document who it grants network access to and why. SRC also needs to follow its processes for removing user access. SRC has policies for network passwords. It should ensure that it follows those processes. In addition, SRC should provide guidance to staff on good password practices.

SRC needs to configure its computers and network to protect against security threats. This includes analyzing the risks it faces and implementing controls to reduce the risks to an acceptable level.

1.   We recommend Saskatchewan Research Council implement security controls to reduce information technology risks to an acceptable level.

SRC management told us it accepts this recommendation and has developed a plan to address any unacceptable levels of information technology risk.

SRC also needs to know that it can recover systems and data in the event of computer problems or a disaster. SRC has a disaster recovery plan. It should test it.

2.   We recommend Saskatchewan Research Council test its information technology disaster recovery plan.

SRC management told us it accepts this recommendation and has developed a plan including timelines to test its information technology disaster recovery plan.

Standing Committee on Public Accounts

25

Main points

The Standing Committee on Public Accounts (Committee) is a key agent of change for improving the Government's management of public resources. The Committee reviews the activities, performance, and reports of all government departments, agencies, and Crown corporations. During its review, the Committee may inquire about past performance, current concerns, and future objectives. Increasingly, the Committee's discussions relate to broader issues including strategic plans, key risks to achieving goals and objectives, and performance measurement.

Through its work and recommendations, the Committee helps the Legislative Assembly hold the Government accountable for its spending of public money and for its stewardship over public resources. The Government has fully implemented 65% of the Committee's recommendations. Of the recommendations that are not yet fully implemented, 67% are partially implemented.

Introduction

This chapter provides an overview of the role and responsibilities of the Standing Committee on Public Accounts (Committee or PAC). It briefly describes what the Committee does, how it is structured, and how it works.

This chapter discusses the importance of the Committee's deliberations and recommendations and highlights some of its recent accomplishments. Also, in the exhibit, the chapter sets out the status of the Committee's outstanding recommendations for agencies not discussed elsewhere in the report. The remaining outstanding recommendations are included in the relevant chapters throughout our report. Reviewing these outstanding recommendations provides the Committee with an opportunity to ask Government officials how they are progressing toward meeting the Committee's expectations.

Overview of Committee's role and responsibilities

At the beginning of each Legislature, the Legislative Assembly (Assembly) appoints members to the Committee. The Committee helps the Assembly hold the Government accountable for its management of public resources. We view this Committee as the audit committee for the Assembly and thus, for the public.

The management of public resources begins and ends in the Assembly. The Government manages Saskatchewan's public resources through a complex structure of over 270 agencies including departments, boards, and Crown corporations (see Appendix 2 to this Report for a list of these agencies). It seeks approval for the use of these resources through laws and the Legislative Assembly's approval of the Estimates.

Each year, the Government prepares the Public Accounts. The Public Accounts consist of two reports. The first report contains the Summary Financial Statements of the Government, the financial statements of the General Revenue Fund (GRF), and some other financial information. The second report contains details on revenues and expenditures (including a listing of salaries and wages) of agencies who receive money from the GRF, details on capital asset acquisitions of those agencies, key financial information of some pension plans and trust funds administered by the

Government, and a listing of taxes and fees. The reports are available at www.gov.sk.ca/finance/.

The Assembly refers the Public Accounts and the reports of our Office to the Committee. The Committee uses these reports to review the Government's management of public resources.

The Committee's main objective is to discuss and recommend actions on issues that Committee members and our Office raise. To meet its responsibilities, the Committee examines and evaluates the activities of all government agencies (e.g., departments, Crown corporations) included in the Public Accounts. It also reviews the issues raised in our reports on the results of our work at these agencies.

The Committee is not fundamentally concerned with matters of policy. Rather, it questions the economy and effectiveness of the administration of government programs.

Government officials attend the Committee meetings and answer questions about the administration of their agencies. Our Office attends the meetings to help the Committee in its reviews. The Committee formally reports its findings and recommendations to the Assembly in written reports.

The Committee's discussions and recommendations to the Assembly result in a more open and accountable government and better management of government operations. By questioning, requesting information, and making recommendations in its reports to the Assembly, the Committee also acts as an agent of change in the management practices of government. The Committee's work is crucial in a well-managed parliamentary system of government. It provides a vital link in the chain of accountability over public resources and contributes to the public's confidence in our system of government.

The Committee's meetings are open to the public. Information about the composition of the Committee as well as records of the Committee's meetings (i.e., Hansard verbatims, minutes, videos, and reports) is available to the public on the Committee's website www.legassembly.sk.ca/committees/.

The members of the Standing Committee on Public Accounts

As at October 9, 2007, the members of the Committee were:

- ◆ Elwin Hermanson, Chair
- ◆ Joanne Crofford, Deputy Chair
- ◆ Lon Borgerson
- ◆ Ken Cheveldayoff
- ◆ Michael Chisholm
- ◆ Andy Iwanchuk
- ◆ Kim Trew

Committee accomplishments

Since the fall of 2006, the Committee met 18 times. During this time, the Committee continued its review of our reports on the results of our work at government agencies. These reports include our 2005 Report (Volume 3), 2006 Report (Volumes 1, 2, and 3), and 2007 Report (Volume 1).

The Committee has not yet completed its review of the following reports of the work of our Office:

- ◆ 2006 Report – Volume 3 (three chapters outstanding)
- ◆ 2007 Report – Volume 1 (two chapters outstanding)
- ◆ 2007 Report – Volume 2

At the time of this report, the Committee's most recent report setting out recommendations is the Committee's Second Report to the 25th Legislature. The Committee presented this Report to the Assembly on May 16, 2007. The report contains over 98 recommendations. The Assembly concurred in the Report. The Government responded to the Report on September 7, 2007.

Status of recommendations of the Committee

The Committee's reports during the previous five years contain 315 recommendations. Some of these recommendations take a number of years to implement. As of March 2007, the Government has fully

implemented 65% (March 2006 – 66%) of the Committee's recommendations. The Government has partially implemented 67% (March 2006 – 79%) of the recommendations that are not fully implemented. [1]

The Committee has asked us to monitor compliance with its recommendations and to report on their status. Each relevant chapter in our report provides an update on the status of the Committee's outstanding recommendations. The exhibit lists all of the Committee's recommendations that the Government has not yet fully implemented and are not already discussed in another chapter.

Key terms used

Each recommendation in the exhibit here or in another chapter includes a reference to a "PAC Report Year." This refers to the year that the Committee first made the recommendation in its report to the Assembly. The "Outstanding Recommendation" column sets out those recommendations that the Government has not yet fully implemented. The Committee's reports contain two types of recommendations. They are:

1. **Committee recommendations** on which the Committee expects an official response from the Government. These recommendations are set out in bold type and are preceded by **CR** (e.g., **CR3**).

2. **Committee concurs with recommendations** of our Office. These are our Office's recommendations that the Committee supports and agrees with but on which it **does not expect a formal response** from the Government. Because these recommendations are a matter of ongoing record, the Committee expects the Government to follow up on progress in complying with the recommendations. These recommendations are identified by a non-bolded number (e.g., 10-1) preceding them. The non-bolded numbers reflect the chapter and recommendation number of our related report.

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[1] Calculations are based on the Committee's recommendations up to and including the Second Report to the 25th Legislature as at May 16, 2007.

For each outstanding recommendation, our Office has assessed the status of the recommendation and the progress made since our 2006 Report – Volume 3. We list the status of each recommendation as either not implemented or partially implemented. We do not list recommendations that are implemented. We indicate the date of our assessment in parentheses following the status. Generally, the date of our last assessment is based on the timing of our most recent audit work.

Not implemented – Based on the last assessment, the Government has not taken action on this recommendation.

Partially implemented – Based on the last assessment, the Government has taken some action on this recommendation.

When the Committee recommends that the Government examine, consider, study, or review an issue, the Committee needs to know what the Government decided and why the decision was taken. The Committee expects the Government's response to:

♦ clearly define the issue
♦ set out the sources of supporting information gathered by surveys, interviews, or literature searches
♦ outline the major factors involved—the pros and cons
♦ describe the action it proposes to take

Summary

In the last few years, the Committee has discussed broader issues including strategic planning, key risks to achieving goals and objectives, and performance measurement. Through these discussions, the Committee fosters a more open and accountable government and better management of government operations.

Our Office will continue helping the Committee carry out its important responsibilities. To encourage the implementation of the Committee's recommendations, our Office will continue to monitor the status of the Committee's recommendations.

Exhibit—Status of outstanding Committee recommendations

The exhibit lists all of the Committee's recommendations that the Government has not yet fully implemented and are not already discussed in another chapter.

PAC REPORT YEAR	OUTSTANDING RECOMMENDATION	STATUS
Cross-Government (Pensions)		
1996	**CR9.** The Government should use consistent estimates for COLA (Cost of Living Adjustments) increases and inflation to calculate the pension liability for its defined benefit pension plans. On March 31, 2000, during review of Chapter 8 of our 2000 Spring Report, PAC considered and agreed that the Government should work towards using consistent estimates for inflation for all of its defined benefit plans.	**Partially implemented** (as at March 31, 2007). Plans have consistent estimates of inflation except for the Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board
1999	PAC concurs: 10.67 The Government should study the legislation for its pension plans to decide what type of information should be provided in annual reports and whether it is appropriate for that information to be more consistent. If more consistency in the type of information is not considered appropriate, the Government should explain why.	**Not implemented** (as at March 31, 2007). The Government has not yet done a study to decide what type of information pension plan's annual reports should provide. Pension plans still need to improve their annual reports.
Cross-Government (Managing for Results)		
2007	PAC concurs: 10-1 that the Department of Corrections and Public Safety (CPS) and the Department of Highways and Transportation (Highways) should analyze and report quarterly to executive managers the departments' progress toward planned outcomes.	**Partially implemented** (as at March 31, 2007). Highways has implemented this recommendation. For CPS, a follow-up is planned for 2007-08.

Appendix

1

The Provincial Auditor Act

SHORT TITLE AND INTERPRETATION

Short Title
1   This Act may be cited as *The Provincial Auditor Act*.

Interpretation
2   In this Act:

(a)   **"acting provincial auditor"** means the acting provincial auditor appointed pursuant to section 5;

(a.1) **"appointed auditor"** means an auditor appointed pursuant to an Act or other authority by the Lieutenant Governor in Council or another body to examine the accounts of a Crown agency or Crown-controlled corporation or accounts otherwise related to public money;

(b)   **"audit"** means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;

(c)   **"Crown"** means Her Majesty the Queen in right of Saskatchewan;

(d)   **"Crown agency"** means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:

(i)   are appointed by an Act or by the Lieutenant Governor in Council; or

(ii)   are, in the discharge of their duties, public officers or servants of the Crown;

and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

(e) **"Crown-controlled corporation"** means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;

(f) **"fiscal year"** means the period commencing on April 1 in one year and ending on March 31 in the next year;

(g) **"provincial auditor"** means the Provincial Auditor for Saskatchewan appointed pursuant to section 3.1;

(g.1) **"public accounts committee"** means the Standing Committee of the Legislative Assembly on Public Accounts;

(h) **"public money"** means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i) belong to the Government of Saskatchewan; or

(ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i) **"public property"** means property held or administered by the Crown;

(j) **"Speaker"** means the member of the Legislative Assembly elected as Speaker in accordance with *The Legislative Assembly and Executive Council Act, 2007.*

<div align="right">1983, c.P-30.01, s.2; 1986-87-88, c.26, s.4;
2001, c.32, s.3; 2005, c.L-112, s.97; 2007,
c.6, s.2.</div>

APPOINTMENT AND OFFICE

Provincial Auditor for Saskatchewan

3(1) The office of Provincial Auditor for Saskatchewan is established.

(2) The provincial auditor is an officer of the Legislative Assembly.

<div align="right">2001, c.32, s.4.</div>

Appointment of provincial auditor

3.1(1) On the unanimous recommendation of the public accounts committee, the Legislative Assembly shall, by resolution, appoint a provincial auditor.

(2) The provincial auditor holds office for a term of 10 years from the date of his or her appointment unless, before that term expires, he or she:

(a)   resigns or is suspended or removed from office pursuant to section 3.2; or

(b)   attains the normal date of retirement for employees of the public service of Saskatchewan.

(3)   The provincial auditor may apply for a second or subsequent term.

2001, c.32, s.4.

Resignation, removal of provincial auditor

3.2(1)   The provincial auditor may resign the office at any time by giving written notice:

(a)   to the Speaker; or

(b)   if there is no Speaker or if the Speaker is absent from Saskatchewan, to the President of the Executive Council.

(2)   The Legislative Assembly may, by resolution, suspend or remove the provincial auditor from office for cause.

2001, c.32, s.4.

Salary of the provincial auditor

4(1)   Subject to subsections (2) and (3), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2)   Any benefits or payments that may be characterized as deferred income, retirement allowances, separation allowances, severance allowances or payments in lieu of notice are not to be included in calculating the average salary of all the deputy ministers and acting deputy ministers pursuant to subsection (1).

(3)   Where, as a result of a calculation made pursuant to subsection (1), the salary of a provincial auditor would be less than that provincial auditor's previous salary, the provincial auditor is to be paid not less than his or her previous salary.

(4)   The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided generally to deputy ministers.

(5)   The salary of the provincial auditor shall be paid out of the general revenue fund.

2001, c.32, s.5.

Acting provincial auditor

5(1)   The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2)   Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

(3)   Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor.

1983, c.P-30.01, s.5.

Qualifications of provincial auditor, acting provincial auditor

6   No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan.

1983, c.P-30.01, s.6.

Advisors, etc.

7   For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisers, specialists or consultants that he considers necessary.

1983, c.P-30.01, s.7; 2001, c.32, s.6.

Office of the provincial auditor

8(1)   The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2)   Employees of the provincial auditor's office are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3)   The employee benefits applicable to the public servants of Saskatchewan apply or continue to apply, as the case may be, to the provincial auditor and the employees of the provincial auditor's office.

(4)   *The Public Service Superannuation Act, The Superannuation (Supplementary Provisions) Act* and *The Public Employees Pension Plan Act* apply to the provincial auditor and the employees of the provincial auditor's office, and all credits in any superannuation plan or fund established pursuant to those Acts for the provincial auditor and the employees of the provincial auditor's office and accumulated under those Acts, before the coming into force of this section, are preserved and continued in accordance with those Acts.

(5)   The provincial auditor shall administer, manage and control the provincial auditor's office and the general business of the office and shall oversee and direct the staff of the office.

1983, c.P-30.01, s.8; 2001, c.32, s.7.

Confidentiality

9   The provincial auditor shall require every person employed in his or her office, and any person engaged or retained pursuant to section 7, who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation.

1983, c.P-30.01, s.9; 2001, c.32, s.8.

Delegation of authority

10 The provincial auditor may delegate to any member of the provincial auditor's office the authority to exercise any power or to perform any duty conferred on the provincial auditor pursuant to this Act, other than the duty to make:

(a)   an annual report on operations pursuant to section 10.4;

(b)   a business and financial plan pursuant to section 10.5;

(c)   an annual report pursuant to section 12; or

(d)   a special report to the Legislative Assembly.
2001, c.32, s.9.

Estimates

10.1(1) For each fiscal year, the provincial auditor shall present to the public accounts committee, in accordance with any instructions from the public accounts committee, estimates of the moneys that will be required to be provided by the Legislature for the expenses of the provincial auditor's office, including an amount for unforeseen expenses.

(2)   On receipt of the estimates pursuant to subsection (1), the public accounts committee:

(a)   shall review the estimates; and

(b)   may make any alterations to the estimates that the public accounts committee considers appropriate.

(3)   After reviewing and making any alterations to the estimates pursuant to subsection (2), the public accounts committee shall approve the estimates.

(4)   After approving the estimates pursuant to subsection (3), the chairperson of the public accounts committee shall submit the estimates to the Speaker and to the Board of Internal Economy.

(5)   The Speaker shall cause the estimates submitted pursuant to subsection (4) to be laid before the Legislative Assembly.

(6)   Notwithstanding subsections (1) to (5), if a public accounts committee has not been appointed by a date to allow the Speaker to cause the estimates of the provincial auditor for a fiscal year to be laid before the Legislative Assembly pursuant to subsections (1) to (5), the Speaker shall cause the estimates of the provincial auditor for the previous fiscal year to be laid before the Legislative Assembly.

(7)   The Legislative Assembly may refer the estimates laid before it pursuant to subsection (5) or (6) to a Standing Committee of the Legislative Assembly.

(8)   Where the estimates are not referred to a Standing Committee of the Legislative Assembly, the estimates are to be considered in the Committee of Finance and defended by a member of the Executive Council who is designated by the President of the Executive Council.

(9)   *The Tabling of Documents Act, 1991* does not apply to the estimates required to be prepared by the provincial auditor pursuant to this section.

2001, c.32, s.9.

Unprovided for or unforeseen expenses

10.2(1) For the purposes of this section, the Legislature is not in session where it:

(a)   is prorogued; or

(b)   is adjourned for an indefinite period or to a day more than seven days after the Lieutenant Governor in Council made the order directing the preparation of the special warrant pursuant to this section.

(2)   If the Legislature is not in session, the provincial auditor may report to the public accounts committee that:

(a)   a matter has arisen with respect to the administration of this Act respecting an expense required by the provincial auditor's office that was not foreseen or provided for, or was insufficiently provided for; and

(b)   the provincial auditor is of the opinion that there is no appropriation for the expense or that the appropriation is exhausted or insufficient and that the expense is urgently and immediately required for the public good.

(3)   On receipt of a report of the provincial auditor pursuant to subsection (2), the public accounts committee:

(a)   shall review the report and make any alterations to the funding request in the report that the public accounts committee considers appropriate; and

(b)   may recommend to the Minister of Finance that a special warrant be issued authorizing the expense in the amount the public accounts committee determines to be appropriate.

(4)   On receipt of a recommendation of the public accounts committee pursuant to subsection (3), the Minister of Finance shall recommend to the Lieutenant Governor in Council that a special warrant be issued authorizing the expense in the amount recommended by the public accounts committee.

(5)   On receipt of a recommendation of the Minister of Finance pursuant to subsection (4), the Lieutenant Governor in Council may order a special warrant to be prepared for the signature of the Lieutenant Governor authorizing the expense in the amount recommended by the public accounts committee.

(6)   For the purposes of *The Financial Administration Act, 1993* and of this Act, a special warrant issued pursuant to subsections (1) to (5) is deemed to be a special warrant issued pursuant to section 14 of *The Financial Administration Act, 1993*, and that Act applies to a special warrant issued pursuant to those subsections as if it were issued pursuant to section 14 of that Act.

(7)   Notwithstanding subsections (1) to (6), the provincial auditor may request that the Minister of Finance recommend that a special warrant be issued pursuant to section 14 of *The Financial Administration Act, 1993* if:

(a)   a public accounts committee has not been appointed; and

(b)   the provincial auditor reports that the conditions mentioned in clauses (2)(a) and (b) are met.

2001, c.32, s.9.

Expenses limited to appropriation

10.3(1) In this section, **"appropriation"** means:

(a)   an appropriation for the expenses of the provincial auditor's office made by an *Appropriation Act*;

(b)   an appropriation by special warrant issued pursuant to section 10.2; and

(c)   any other amount that is permitted or directed to be paid out of the general revenue fund pursuant to this or any other Act for the expenses of the provincial auditor's office.

(2)   The provincial auditor shall not incur expenses for a fiscal year in excess of the appropriation for that fiscal year.

(3)   The Minister of Finance shall pay to the provincial auditor out of the general revenue fund the appropriation for a fiscal year in the amounts and at the times requested by the provincial auditor.

(4)   Where the amounts paid to the provincial auditor pursuant to subsection (3) on account of an appropriation for a fiscal year exceed the expenses of the provincial auditor's office for that fiscal year, the provincial auditor shall repay the excess to the Minister of Finance as soon as is practicable after the end of the fiscal year, and the Minister of Finance shall deposit any amounts received pursuant to this subsection in the general revenue fund.

2001, c.32, s.9.

Annual report on operations

10.4(1) In each fiscal year, the provincial auditor shall prepare and submit to the Speaker an annual report on operations that is to consist of the following:

(a)   a report on the operations of the provincial auditor's office for the preceding fiscal year;

(b)   the audited financial statement for the provincial auditor's office showing the results of its operations for the preceding fiscal year.

(2)   The provincial auditor shall submit the annual report on operations mentioned in subsection (1) within 120 days after the end of the fiscal year to which the annual report on operations relates.

2001, c.32, s.9.

Business and financial plan

10.5 Prior to the beginning of each fiscal year, by a date that may be required by the public accounts committee, the provincial auditor shall prepare and submit to the Speaker a business and financial plan for the provincial auditor's office showing its planned operations and its planned revenues and expenses for the fiscal year

2001, c.32, s.9.

DUTIES AND POWERS

Examination of accounts

11(1) The provincial auditor is the auditor of the accounts of the government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:

(a)   the accounts have been faithfully and properly kept;

(b)   public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;

(c)   public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

(d)   essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

(2)   An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).

(3)   For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants.

1986-87-88, c.26, s.6.

Reliance on report of appointed auditor

11.1(1) In the fulfilment of his responsibilities as the auditor of the accounts of the Government of Saskatchewan, the provincial auditor may rely on the report of the appointed auditor of a Crown agency or Crown-controlled corporation if he is satisfied that the appointed auditor has carried out his responsibilities pursuant to section 11 with respect to that Crown agency or Crown-controlled corporation.

(2)   The provincial auditor may only rely on the report of an appointed auditor of a Crown agency or the appointed auditor of a Crown-controlled corporation if the appointed auditor:

(a)   is a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b)   is not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3)   Where the provincial auditor determines pursuant to subsection (1) or (2) that he or she is unable to rely on the report of the appointed auditor with respect to a Crown agency or Crown-controlled corporation, the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.

(4)   Where the provincial auditor has conducted additional audit work on the accounts of a Crown agency or Crown-controlled corporation pursuant to subsection (3), the provincial auditor shall report in his or her annual report pursuant to this section:

(a)   the reason that the provincial auditor was unable to rely on the report of the appointed auditor of the Crown agency or Crown-controlled corporation;

(b)   the nature of the additional audit work the provincial auditor conducted; and

(c)   the results of the additional audit work.

1986-87-88, c.26, s.6; 2001, c.32, s.10

Annual Report

12(1) At the end of each fiscal year, the provincial auditor and every appointed auditor shall prepare a report on the results of all examinations that they have conducted of departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations during that year giving details of any reservation of opinion made in an audit report, and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly, including any cases in which they observe:

(a)   any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;

(b)   any public money was not duly accounted for and paid into the appropriate fund;

(c)   any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;

(d)   an expenditure was made for which there was no authority or which was not properly vouchered or certified;

(e)   there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;

(f)   a special warrant authorized the payment of public money; or

(g)   essential records were not maintained or the rules and procedures applied were not sufficient:

(i)   to safeguard and control public money;

(ii)   to effectively check the assessment, collection and proper allocation of public money; or

(iii)   to ensure that expenditures were made only as authorized.

(1.1) On completion of any examination of the accounts of a Crown agency or Crown-controlled corporation, an appointed auditor shall submit to the provincial auditor the report prepared pursuant to subsection (1) with respect to that Crown agency or Crown-controlled corporation.

(1.2) At the end of each fiscal year, the provincial auditor shall compile the reports submitted to him by appointed auditors pursuant to subsection (1.1) and shall submit them together with his report prepared pursuant to this section in the form of an annual report to the Legislative Assembly.

(2)   In the annual return made pursuant to subsection (1), the provincial auditor may:

(a)   report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and

(b)   comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3)   Notwithstanding subsection (1), neither the provincial auditor nor any appointed auditor is required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant.

1983, c.P-30.01, s.12; 1986-87-88, c.26, s.7.

Special report
13   The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent.

1983, c.P-30.01, s.13.

Submission of provincial auditor's reports
14   Notwithstanding *The Tabling of Documents Act, 1991*, the provincial auditor shall submit to the Speaker, as soon as is practicable:

(a)   the annual report prepared pursuant to section 12; and

(b)   any special report that is prepared by the provincial auditor pursuant to section 13.

2001, c.32, s.11.

Tabling of reports
14.1(1) In this section, **"report"** means:

(a)   an annual report on the operations of the provincial auditor's office that is submitted to the Speaker pursuant to section 10.4;

1-10

(b)   a business and financial plan for the provincial auditor's office that is submitted to the Speaker pursuant to section 10.5;

(c)   an annual report prepared pursuant to section 12 that is submitted to the Speaker pursuant to section 14;

(d)   any special report that is prepared by the provincial auditor pursuant to section 13 that is submitted to the Speaker pursuant to section 14; or

(e)   a report of the auditor of the accounts of the provincial auditor's office that is submitted to the Speaker pursuant to section 27.

(2)   The Speaker shall lay before the Legislative Assembly each report received by the Speaker as soon as is practicable after it is received.

(3)   If the Legislative Assembly is not in session when the Speaker receives a report, the Speaker shall submit the report to the Clerk of the Legislative Assembly.

(4)   When the Clerk of the Legislative Assembly receives a report pursuant to subsection (3), the Clerk shall, as soon as possible:

(a)   subject to subsection (5), cause a copy of the report to be delivered to each member of the Legislative Assembly; and

(b)   make the report available for public inspection during normal business hours of the Clerk of the Legislative Assembly.

(5)   The requirement in subsection (4) to deliver a copy of a report to the members of the Legislative Assembly does not apply in the period that:

(a)   commences on the day a Legislative Assembly is dissolved; and

(b)   ends on the day fixed for making the return to the writ for the general election held pursuant to *The Election Act, 1996* that follows the dissolution mentioned in clause (a).

(6)   If a report is submitted to the Clerk of the Legislative Assembly in accordance with subsection (3), the report is deemed to have been laid before the Assembly.

(7)   Where a report is laid before the Legislative Assembly pursuant to subsection (2) or is deemed to be laid before the Legislative Assembly pursuant to subsection (6), the report is deemed to be referred to the public accounts committee.

(8)   Notwithstanding subsection (7), where a report or part of a report mentioned in subsection (7) deals with a matter that relates to the Crown Investments Corporation of Saskatchewan or a subsidiary Crown corporation within the meaning of *The Crown Corporations Act, 1993*, the report or part of the report is deemed to be referred to the Standing Committee of the Legislative Assembly on Crown Corporations.

2001, c.32, s.11.

Certification of Statements

15(1) The provincial auditor or the appointed auditor, as the case may be, shall express an opinion, in accordance with the outcome of his examinations, on the financial statements of:

    (a)   any funds that he is required to audit pursuant to subsection 11(1);

    (b)   Crown agencies;

    (c)   Crown-controlled corporations; and

    (d)   accounts not related to public money that are, by an Act, required to be examined by him.

(2)   Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor.

<div align="right">1983. c.P-30.01. s.15; 1986-87-88. c.26. s.9.</div>

Special assignments

16(1) Where:

    (a)   the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:

        (i)   requests the provincial auditor to perform a special assignment; and

        (ii)   causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

    (b)   in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2)   Notwithstanding *The Tabling of Documents Act*:

    (a)   the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and

    (b)   the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3)   The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the·members of that committee.

(4)   Where:

    (a)   the Lieutenant Governor in Council:

(i) requests the provincial auditor to perform a special assignment; and

(ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and

(b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor may perform the special assignment.

(5) The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council.

1983, c.P-30.01, s.16.

Improper retention of public money
17 Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance.

1983, c.P-30.01, s.17.

Cancelled securities
18 The provincial auditor shall:

(a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;

(b) assure himself or herself that the securities described in clause (a) have been properly cancelled;

(c) at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities; and

(d) at any time that he or she is requested to do so by the Minister of Finance, participate in audit assignments in connection with the filing of a prospectus and registration material required for the issuance and sale of securities of the Government of Saskatchewan.

1983, c.P-30.01, s.18; 2001, c.32, s.12.

Attendance before Public Accounts Committee
19 On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

(a)   in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and

(b)   during its review of the the items described in clause (a).

<div align="right">1983, c.P-30.01, s.19.</div>

AUDIT COMMITTEE

Audit committee

20(1) In this section and in sections 21 to 23, **"audit committee"** means the audit committee established pursuant to subsection (2).

(2)   An audit committee is established.

(3)   The audit committee is to consist of not more than five persons appointed by the Speaker on the unanimous recommendation of the public accounts committee.

(4)   A recommendation of the public accounts committee pursuant to subsection (3) is to be made only after the public accounts committee has consulted with the Standing Committee of the Legislative Assembly on Crown Corporations.

(5)   The following persons are not eligible to be a member of the audit committee:

(a)   a Member of the Legislative Assembly;

(b)   an appointed auditor;

(c)   an employee of the Government of Saskatchewan, of a Crown agency, of a Crown-controlled corporation or of the provincial auditor's office.

(6)   The Speaker shall designate as chairperson the member of the audit committee unanimously recommended by the public accounts committee.

(7)   The audit committee may determine its rules of procedure.

(8)   All expenses of the audit committee are to be paid out of the appropriation for the Legislative Assembly Service.

<div align="right">2001, c.32, s.13;2005, c.L-11.2, s.97.</div>

Functions of the audit committee

21(1) The public accounts committee may request the audit committee to assist it in undertaking the following:

(a)   the recommending of a provincial auditor;

(b)   the review of the estimates of the provincial auditor;

(c)   the review of the annual report on operations of the provincial auditor;

(d)   the review of any report of the provincial auditor prepared pursuant to section 12 or 13;

(e)   any other matters that the public accounts committee may request.

(2)   The provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations may request the audit committee to review any matter that, in the opinion of the provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations, as the case may be, should be considered by the audit committee.

2001. c.32. s.13.

Information to be provided to audit committee

22(1) The audit committee may request the provincial auditor and any officers or employees of the Government of Saskatchewan, a Crown agency or a Crown-controlled corporation to provide the audit committee with any information that the audit committee considers necessary to carry out its functions mentioned in section 21, and the provincial auditor and the officers or employees of the Government of Saskatchewan, the Crown agency or the Crown-controlled corporation may provide the information requested.

(2)   The audit committee and each member of the audit committee:

(a)   shall preserve secrecy with respect to all matters that come to their knowledge in the course of performing their functions pursuant to this Act; and

(b)   shall not communicate those matters to any person, other than when required to do so in the performance of their functions pursuant to this Act.

2001. c.32. s.13.

Availability of reports

23(1) For the purpose of allowing the Minister of Finance to review and comment on the provincial auditor's annual report prepared pursuant to section 12, the provincial auditor shall submit the provincial auditor's annual report to the Minister of Finance at least 10 days before the provincial auditor causes the annual report to be printed for submission to the Speaker.

(2)   The provincial auditor shall submit to the Minister of Finance any special report prepared pursuant to section 13 before the provincial auditor submits that special report to the Speaker.

2001. c.32. s.13.

GENERAL

Right to information, accommodation

24(1) The provincial auditor or the appointed auditor, as the case may be, is entitled:

(a)   to free access, at all convenient times, to:

(i)   all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and

(ii)   all files, documents and other records relating to the accounts;

of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or, in the case of the provincial auditor, with respect to which he is examining pursuant to a special assignment; and

(b)   to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2)   The provincial auditor or an appointed auditor, as the case may be, may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed.

1983, c.P-30.01, s.24; 1986-87-88, c.26, s.10.

Inquiries

25   The provincial auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under *The Public Inquiries Act*.

1983, c.P-30.01, s.25.

Working papers

26   Neither the provincial auditor nor any appointed auditor is required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature.

1983, c.P-30.01, s.26; 1986-87-88, c.26, s.11.

Change in auditor

26.1 Where the auditor of a Crown agency or Crown-controlled corporation has been changed, the new auditor and the previous auditor shall deal with the transition in accordance with the rules of professional conduct as established from time to time by the Institute of Chartered Accountants of Saskatchewan.

1986-87-88, c.26, s.12.

Auditor of accounts of provincial auditor's office

27(1)On the recommendation of the public accounts committee, the Lieutenant Governor in Council shall appoint an accountant who meets the qualifications set out in subsection (2) to annually audit the accounts of the provincial auditor's office.

(2)   For the purposes of subsection (1), the accountant appointed pursuant to this section:

(a)   must be a member in good standing of a recognized accounting profession that is regulated by an Act; and

(b)   must not be employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.

(3)   The accountant appointed pursuant to subsection (1) has the same powers and shall perform the same duties in relation to an audit of the accounts of the provincial auditor's office that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.

(4)   The auditor of the accounts of the provincial auditor's office shall submit his or her report to the Speaker.

2001, c.32, s.14.

Fees
28(1) The provincial auditor may charge a reasonable fee for professional services provided by provincial auditor's office.

(2)   All fees charged pursuant to subsection (1) and all other revenues received by the provincial auditor pursuant to this Act shall be deposited in the general revenue fund.

1983, c.P-30.01, s.28; 2001, c.32, s.15.

Limitation of liability
29   The provincial auditor, the employees in the provincial auditor's office and any adviser, specialist or consultant engaged or retained pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act.

1983, c.P-30.01, s.29; 2001, c.32, s.16.

Information confidential
30   The provincial auditor, any employee in the provincial auditor's office, an appointed auditor, any employee of an appointed auditor or any adviser, specialist or consultant engaged or retained pursuant to section 7:

(a)   shall preserve secrecy with respect to all matters that come to his or her knowledge in the course of his or her employment or duties under this Act; and

(b)   shall not communicate those matters to any person, other than when he or she is required to do so in connection with:

(i)   the administration of this Act;

(ii)   any proceedings under this Act; or

(iii)   any proceedings in a court of law.

1983, c.P-30.01, s.30; 1986-87-88, c.26, s.13; 2001, c.32, s.17.

31 Repealed. 2001, c.32, s.18.

Transitional

32(1)The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Financial Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2)   On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force.

1983, c.P-30.01, s.32.

Appendix

2

List and status of agencies subject to examination under
The Provincial Auditor Act

Appendix 2 lists the departments, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly, and other agencies subject to audit examination under *The Provincial Auditor Act* at July 31, 2007.

This Appendix includes the status of those audits at October 31, 2007. The Appendix also indicates whether we have significant issues to report and where the issues are reported.

Our goal is to report the results of our audits of agencies with March fiscal year-ends in the fall and agencies with December fiscal year-ends in the spring. We have not completed the audits at some agencies. In most cases, the audits have been delayed. However, in a few cases, we have not been given access to the necessary information to complete the audits. To provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate delayed audits, but rather include their results in future reports.

Appendix 2

Agency	Year end on or before July 31, 2007	Status at October 31, 2007[1]	Significant issues reported[2]
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	Yes/2007 Rpt V2
Departments and Secretariats:			
Department of Advanced Education and Employment	March 31	Complete	Yes/2007 Rpt V3
Department of Agriculture and Food	March 31	Complete	Yes/2007 Rpt V1 & V3
Department of Community Resources	March 31	Complete	Yes/2007 Rpt V3
Department of Corrections and Public Safety	March 31	Delayed	
Department of Culture, Youth and Recreation	March 31	Complete	Yes/2007 Rpt V3
Department of Environment	March 31	Complete	Yes/2007 Rpt V3
Department of Finance	March 31	Complete	Yes/2007 Rpt V2 & V3
Department of First Nations and Métis Relations	March 31	Complete	Yes/2007 Rpt V1 & V3
Department of Government Relations	March 31	Complete	No
Department of Health	March 31	Complete	Yes/2007 Rpt V1 & V3
Department of Highways and Transportation	March 31	Complete	Yes/2007 Rpt V3
Department of Industry and Resources	March 31	Complete	Yes/2007 Rpt V3 & Note 2
Department of Justice	March 31	Complete	Yes/2007 Rpt V3
Department of Labour	March 31	Complete	No
Department of Learning	March 31	Delayed	Yes/2007 Rpt V3
Department of Northern Affairs	March 31	Complete	Yes/2007 Rpt V3
Department of Property Management	March 31	Complete	Yes/2007 Rpt V3
Department of Regional Economic and Co-operative Development	March 31	Complete	Yes/2007 Rpt V3
Executive Council	March 31	Complete	Yes/2007 Rpt V3
Information Technology Office	March 31	Complete	Yes/2007 Rpt V3
Crown agencies:			
101005716 Saskatchewan Ltd.	December 31	Note 1	
101027596 Saskatchewan Ltd.	December 31	Complete	No
101047589 Saskatchewan Ltd.	March 31	Complete	No
101047593 Saskatchewan Ltd.	March 31	Complete	No
101069101 Saskatchewan Ltd.	December 31	Note 1	
610277 Saskatchewan Ltd.	December 31	Complete	No
617275 Saskatchewan Ltd.	December 31	Note 1	
675161 British Columbia Ltd.	December 31	Note 1	

Agency	Year end on or before July 31, 2007	Status at October 31, 2007[1]	Significant issues reported[2]
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
Agricultural Implements Board	March 31	Complete	No
Agri-Food Innovation Fund	March 31	Complete	No
Avonlea Holding, Inc.	December 31	Note 1	
Battleford International, Inc.	December 31	Note 1	
Bayhurst Energy Services Corporation	December 31	Note 1	
Bayhurst Gas Limited	December 31	Complete	No
Beef Development Board	March 31	Complete	No
Big Sky Farms Inc.	June 30	Complete	No
Board of Governors, Uranium City Hospital	March 31	Complete	No
Carlton Trail Regional College	June 30	Complete	No
CIC Economic Holdco Ltd.	December 31	Note 1	
CIC Equity Holding Corporation	December 31	Note 1	
CIC Foods Inc.	December 31	Note 1	
CIC FTLP Holdings Inc.	December 31	Note 1	
CIC FTMI Holdings Inc.	December 31	Note 1	
CIC OSB Products Inc.	December 31	Note 1	
CIC Pulp Ltd.	December 31	Note 1	
CIC PVF Holdings Inc.	December 31	Note 1	
CIC Swine Genetics Holdings Inc.	December 31	Note 1	
CIC Swine Genetics Inc.	December 31	Note 1	
CIC Swine Genetics (NL) B.V.	December 31	Note 1	
CIC WLSVF Holdings Inc.	December 31	Complete	No
Coachman Insurance Company	December 31	Complete	No
Community Initiatives Fund	March 31	Complete	Note 3
Craik Enterprises Inc.	December 31	Note 1	
Crown Investments Corporation of Saskatchewan	December 31	Complete	No
Cumberland Regional College	June 30	Rotational	
Cypress Hills Regional College	June 30	Complete	No
Cypress Regional Health Authority	March 31	Complete	Yes/2007 Rpt V3
DirectWest Canada Inc.	December 31	Complete	No
DirectWest Corporation	December 31	Complete	No
Esterhazy Holding, Inc.	December 31	Note 1	
First Nations and Métis Fund Inc.	December 31	Complete	No
Five Hills Regional Health Authority	March 31	Complete	Yes/2007 Rpt V1 & V3
Gradworks Inc.	December 31	Complete	No
Health Quality Council	March 31	Complete	No
Heartland Regional Health Authority	March 31	Complete	No

Agency	Year end on or before July 31, 2007	Status at October 31, 2007[1]	Significant issues reported[2]
Heritage Gas Limited	December 31	Complete	No
Hollywood At Home Inc.	December 31	Note 1	
Hospitality Network Canada Inc.	December 31	Complete	No
Hospitality Network Canada Partnership	December 31	Note 1	
Hygate Resources Ltd.	December 31	Note 1	
Information Services Corporation of Saskatchewan	December 31	Complete	No
Insurance Company of Prince Edward Island	December 31	Complete	No
Investment Saskatchewan Inc.	December 31	Complete	No
Investment Saskatchewan Swine Inc.	December 31	Note 1	
Keewatin Yatthé Regional Health Authority	March 31	Complete	Yes/2007 Rpt V3
Kelsey Trail Regional Health Authority	March 31	Complete	Yes/2007 Rpt V3
Law Reform Commission of Saskatchewan	March 31	Complete	No
Liquor and Gaming Authority	March 31	Complete	Yes/2007 Rpt V1 & V3
Liquor Board Superannuation Commission, The	December 31	Complete	Note 5
Mamawetan Churchill River Regional Health Authority	March 31	Complete	Yes/2007 Rpt V3
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	No
Métis Development Fund	December 31	Complete	No
Milk Control Board	December 31	Complete	No
Municipal Employees' Pension Commission	December 31	Complete	Yes/2007 Rpt V1
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
Navigata Communications Ltd.	December 31	Note 1	
Nokomis Holding, Inc.	December 31	Note 1	
Nokomis Holding (U.S.), Inc.	December 31	Note 1	
North Sask. Laundry & Support Services Ltd.	March 31	Completed	Yes/2007 Rpt V3
North West Regional College	June 30	Complete	No
Northlands College	June 30	Rotational	
Northpoint Energy Solutions Inc.	December 31	Complete	No
Operator Certification Board	March 31	Complete	No
Parkland Regional College	June 30	Rotational	
Phone Book Company Partnership, The	December 31	Complete	No
Power Corporation Superannuation Plan	December 31	Complete	No
Power Greenhouses Inc.	December 31	Complete	No

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Agency	Year end on or before July 31, 2007	Status at October 31, 2007[1]	Significant issues reported[2]
Prairie Agricultural Machinery Institute	March 31	Complete	No
Prairie North Regional Health Authority	March 31	Complete	Yes/2007 Rpt V3
Prairie West Regional College	June 30	Rotational	
Prince Albert Parkland Regional Health Authority	March 31	Complete	Yes/2007 Rpt V3
Public Employees Pension Plan	March 31	Complete	Yes/2007 Rpt V3
Public Service Commission	March 31	Complete	Yes/2007 Rpt V3
Public Service Superannuation Board	March 31	Complete	Yes/2007 Rpt V3
Qu'Appelle Holding, Inc.	December 31	Note 1	
Regina Qu'Appelle Regional Health Authority	March 31	Complete	Yes/2007 Rpt V3
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	Yes/2007 Rpt V3
Saskatchewan Archives Board, The	March 31	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	Yes/2007 Rpt V3
Saskatchewan Association of Health Organizations (SAHO)	March 31	Complete	Yes/2007 Rpt V1 & V3
Saskatchewan Auto Fund	December 31	Complete	No
Saskatchewan Cancer Agency	March 31	Complete	Yes/2007 Rpt V3
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Communications Network Corporation	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	Yes/2007 Rpt V3
Saskatchewan Development Fund Corporation	December 31	Complete	No
Saskatchewan First Call Corporation	December 31	Complete	No
Saskatchewan Gaming Corporation	March 31	Complete	Yes/2007 Rpt V3
Saskatchewan Government Growth Fund Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund II Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund III Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund IV Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund V (1997) Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VI Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund VIII Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund Management Corporation	December 31	Complete	No
Saskatchewan Government Insurance	December 31	Complete	Yes/2007 Rpt V1

Agency	Year end on or before July 31, 2007	Status at October 31, 2007[1]	Significant issues reported[2]
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	No
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Information Network	March 31	Complete	No
Saskatchewan Health Research Foundation	March 31	Complete	No
Saskatchewan Heritage Foundation	March 31	Complete	No
Saskatchewan Housing Corporation	December 31	Complete	Yes/2007 Rpt V3
Saskatchewan Impaired Driver Treatment Centre Board of Governors	December 31	Complete	No
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2007 Rpt V1 & V3
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	Yes/2007 Rpt V3
Saskatchewan Legal Aid Commission	March 31	Complete	No
Saskatchewan Lotteries Trust Fund for Sports. Culture and Recreation	March 31	Complete	Yes/2007 Rpt V3 & Note 3
Saskatchewan Opportunities Corporation	December 31	Complete	No
Saskatchewan Pension Annuity Fund	March 31	Complete	No
Saskatchewan Pension Plan	December 31	Complete	No
Saskatchewan Power Corporation	December 31	Complete	Yes/2007 Rpt V3
Saskatchewan Research Council, The	March 31	Complete	Yes/2007 Rpt V3
Saskatchewan Telecommunications	December 31	Complete	No
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	Yes/2007 Rpt V1
Saskatchewan Telecommunications International, Inc.	December 31	Complete	No
Saskatchewan Telecommunications International (Tanzania) Ltd.	December 31	Note 1	
Saskatchewan Telecommunications Pension Plan	December 31	Complete	No
Saskatchewan Transportation Company	December 31	Complete	Yes/2007 Rpt V1
Saskatchewan Valley Potato Corporation	December 31	Note 1	
Saskatchewan Water Corporation	December 31	Complete	No
Saskatchewan Watershed Authority	March 31	Complete	Yes 2007 Rpt V3
Saskatoon 2 Management Ltd.	December 31	Note 1	
Saskatoon 2 Properties Limited Partnership	December 31	Complete	No
Saskatoon Regional Health Authority	March 31	Complete	Yes/2007 Rpt V3
SaskEnergy Chilean Holdings I Ltd.	December 31	Complete	No
SaskEnergy Chilean Holdings II Ltd.	December 31	Complete	No
SaskEnergy Chilean Holdings Limitada	December 31	Complete	No
SaskEnergy Incorporated	December 31	Complete	No
SaskEnergy International Incorporated	December 31	Complete	No

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Agency	Year end on or before July 31, 2007	Status at October 31, 2007[1]	Significant issues reported[2]
SaskEnergy Mexican Holdings Ltd.	December 31	Complete	No
SaskEnergy Nova Scotia Holdings Ltd.	December 31	Complete	No
SaskPen Properties Ltd.	December 31	Denied Access	
SaskPower International Inc.	December 31	Complete	No
SaskTel International Consulting, Inc.	December 31	Note 1	
SaskTel Investments Inc.	December 31	Note 1	
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SGC Holdings Inc.	March 31	Complete	No.
SGI CANADA Insurance Services Ltd.	December 31	Complete	No
Shellbrook Holding, Inc.	December 31	Note 1	
Southeast Regional College	June 30	Rotational	
Sun Country Regional Health Authority	March 31	Complete	Yes/2007 Rpt V3
Sunrise Regional Health Authority	March 31	Complete	Yes/2007 Rpt V3
Swan Valley Gas Corporation	December 31	Complete	No
Teachers' Superannuation Commission	June 30	Delayed	
TecMark International Commercialization Inc.	March 31	Complete	No
Thomson Meats Ltd.	December 31	Complete	Yes/2007 Rpt V3
TransGas Limited	December 31	Complete	No
University of Regina Crown Foundation	April 30	Complete	No
University of Saskatchewan Crown Foundation	April 30	Complete	No
Vanguard Holding, Inc.	December 31	Note 1	
Wadena Holding, Inc.	December 31	Note 1	
Water Appeal Board	March 31	Complete	No
Western Development Museum	March 31	Complete	No
Workers' Compensation Board	December 31	Complete	Yes/2007 Rpt V1
Pension Plan for Employees of the Saskatchewan Workers' Compensation Board	December 31	Complete	No
Xavier Holding, Inc.	December 31	Note 1	
Yellowgrass Holding, Inc.	December 31	Note 1	
Special purpose and trust funds:			
Capital Pension Plan	December 31	Complete	No
Cattle Marketing Deductions Fund	March 31	Complete	No
Commercial Revolving Fund	March 31	Complete	No
Correctional Facilities Industries Revolving Fund	March 31	Complete	No
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Department of Community Resources Central Trust Account	March 31	Complete	No

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Appendix 2

Agency	Year end on or before July 31, 2007	Status at October 31, 2007[1]	Significant issues reported[2]
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No
Extended Health Care Plan	December 31	Complete	Yes/2007 Rpt V1
Extended Health Care Plan for Certain Other Employees	December 31	Complete	Yes/2007 Rpt V1
Extended Health Care Plan for Certain Other Retired Employees	December 31	Complete	Yes/2007 Rpt V1
Extended Health Care Plan for Retired Employees	December 31	Complete	Yes/2007 Rpt V1
Fiscal Stabilization Fund	March 31	Complete	Yes/2007 Rpt V3
Fish and Wildlife Development Fund	March 31	Complete	No
General Revenue Fund	March 31	Complete	Yes/2007 Rpt V3
Horned Cattle Fund	March 31	Complete	No
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31	Complete	No
Judges of the Provincial Court Superannuation Plan	March 31	Complete	Yes/2007 Rpt V3
Livestock Services Revolving Fund	March 31	Complete	No
Northern Revenue Sharing Trust Account	December 31	Complete	No
Oil and Gas Environmental Fund	March 31	Complete	No
Pastures Revolving Fund	March 31	Complete	Yes/2007 Rpt V3
Prince of Wales Scholarship Fund	March 31	Complete	No
Provincial Mediation Board Trust Account	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	No
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	Yes/2007 Rpt V1
Public Employees Disability Income Fund	December 31	Complete	Yes/2007 Rpt V1
Public Employees Group Life Insurance Fund	December 31	Complete	Yes/2007 Rpt V1
Public Guardian and Trustee for Saskatchewan	March 31	Complete	No
Queen's Printer Revolving Fund	March 31	Complete	No
Residential Tenancies, Office of - Director's Trust Account	March 31	Complete	No
Resource Protection and Development Revolving Fund	March 31	Complete	No
SAHO Core Dental Plan	December 31	Complete	Yes/2007 Rpt V1 & V3
SAHO Disability Income Plan – CUPE	December 31	Complete	Yes/2007 Rpt V1 & V3
SAHO Disability Income Plan – SEIU	December 31	Complete	Yes/2007 Rpt V1 & V3

Agency	Year end on or before July 31, 2007	Status at October 31, 2007[1]	Significant issues reported[2]
SAHO Disability Income Plan – General	December 31	Complete	Yes/2007 Rpt V1 & V3
SAHO Disability Income Plan – SUN	December 31	Complete	Yes/2007 Rpt V1 & V3
SAHO Group Life Plan	December 31	Complete	Yes/2007 Rpt V1 & V3
SAHO In-scope Extended Health/ Enhanced Dental	December 31	Complete	Yes/2007 Rpt V1 & V3
SAHO Master Trust Combined Investment Fund	December 31	Complete	Yes/2007 Rpt V1 & V3
SAHO Out-of-scope Extended Health/ Enhanced Dental	December 31	Complete	Yes/2007 Rpt V1 & V3
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Complete	No
Saskatchewan Development Fund	December 31	Complete	No
Saskatchewan Legal Aid Commission Client Trust Accounts	March 31	Complete	No
Saskatchewan Legal Aid Endowment Fund Trust	December 31	Complete	No
Saskatchewan Power Corporation Designated Employee Benefit Plan	December 31	Complete	No
Saskatchewan Power Corporation Pre-1996 Severance Plan	December 31	Complete	No
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	No
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	No
Saskatchewan Water Corporation Retirement Allowance Plan	December 31	Complete	No
Saskatchewan Watershed Authority Retirement Allowance Plan	March 31	Complete	No
SaskEnergy Retiring Allowance Plan	December 31	Complete	No
SaskPower Supplementary Superannuation Plan	December 31	Complete	No
School Division Tax Loss Compensation Fund	March 31	Complete	No
SGI Service Recognition Plan	December 31	Complete	No
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Complete	No
Technology Supported Learning Revolving Fund (formerly Correspondence School Revolving Fund)	March 31	Complete	No
Thomson Meats Pension Plan	December 31	Note 4	
Training Completions Fund	March 31	Complete	No
Transportation Partnerships Fund	March 31	Complete	No

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Agency	Year end on or before July 31, 2007	Status at October 31, 2007[1]	Significant issues reported[2]
Valley View Centre Residents' Trust Accounts	March 31	Complete	No
Valley View Centre Grants and Donations Trust Accounting and Institutional Collective Benefit Fund	March 31	Complete	No
Victims' Fund	March 31	Complete	No
Offices of the Legislative Assembly:			
Board of Internal Economy	March 31	Complete	Yes/2007 Rpt V3
Chief Electoral Office	March 31	Complete	No
Children's Advocate, Office of the	March 31	Complete	No
Conflict of Interest Commissioner, Office of the	March 31	Complete	No
Information and Privacy Commissioner, Office of the	March 31	Complete	No
Ombudsman, Office of the	March 31	Complete	No
Other agencies subject to examination under *The Provincial Auditor Act*:			
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Complete	No
University of Regina Academic and Administrative Employees Pension Plan	December 31	Complete	No
University of Regina Master Trust	December 31	Complete	No
University of Regina Non-Academic Pension Plan	December 31	Complete	No
University of Regina, The	April 30	Complete	No
University of Saskatchewan 1999 Academic Pension Plan	December 31	Complete	No
University of Saskatchewan 2000 Academic Money Purchase Pension Plan	December 31	Complete	No
University of Saskatchewan Academic Employees' Pension Plan	December 31	Complete	No
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Complete	No
University of Saskatchewan, The	April 30	Delayed	

Note 1: These entities are wholly- or partially-owned subsidiary corporations that are included in the consolidated financial statements of a parent Crown agency. For the year ending December 31, 2006, these subsidiary corporations did not carry out active operations.

Note 2: For 2007, the Department continued to make payments to NewGrade Energy Inc. that were without authority. Our 2001 Fall Report – Volume 2, Chapter 16, contains further information on this matter.

Note 3: We continue to disagree with how the agency accounts for grants. Our 2004 Report – Volume 3 contains further information on this matter.

Note 4: These agencies were recently created or became Crown agencies. December 31, 2007, March 31, 2008 and June 30, 2008 will be the first year-ends audited by our Office. The status of the audits of these agencies will be provided in future reports.

Note 5: The agency does not have adequate processes to ensure retired members who returned to work for the Government are paid in accordance with the Superannuation (Supplementary Provisions) Act. Our 2001 Spring Report contains further information on this matter.

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[1] "Complete" – the audit was complete at October 31, 2007.

"Delayed" – the audit was delayed.

"Rotational" – for a few sectors (i.e., regional colleges), we carry out the audits of the most significant entities and use a rotational approach for the remainder. We list entities in rotation whose audits were complete at October 31, 2007 as "Complete". We list the other entities as "Rotational".

"Denied Access" – in a few cases, we have not been given access to the necessary information to complete the audits.

[2] "No" - no significant issues were reported.

"Yes/2007 Rpt V1" – significant issues were reported in our 2007 Report – Volume 1.

"Yes/2007 Rpt V2" – significant issues were reported in our 2007 Report – Volume 2.

"Yes/2007 Rpt V3" – significant issues are reported in our 2007 Report – Volume 3.

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Appendix

3

Samples of opinions we form on departments, Crown agencies, and Crown-controlled corporations

Our mission states: "We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability". To fulfill our mission, we examine and provide independent assurance (conclusions) and advice on the Government's management of and accountability practices for the public resources entrusted to it.

We advise the Legislative Assembly on:

♦ the adequacy of the Government's management of public resources

♦ the Government's compliance with legislative authorities

♦ the reliability of the Government's public performance reports

We focus on the Government as a whole, sectors or programs of the Government, and individual government agencies. We use the auditing standards recommended by The Canadian Institute of Chartered Accountants to form our opinions. The following are samples of our audit opinions.

1.   The adequacy of the Government's management of public resources.

I have audited [Crown Agency X]'s control as of [date] to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

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I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgements about the effectiveness of [Crown Agency X]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

[Crown Agency X]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of [Crown Agency X]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable not absolute assurance of achieving objectives reliably for two reasons. First, there are inherent limitations in control including judgement in decision-making, human error, collusion to circumvent control activities and management overriding control. Second, cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or the degree of compliance with control activities may deteriorate.

In my opinion, [Crown Agency X]'s control was effective, in all significant respects, related to the objectives stated above as of [date] based on the CICA criteria of control framework.

2.   The Government's compliance with legislative authorities.

I have made an examination to determine whether [Crown Agency X] complied with the
provisions of the following legislative and related authorities pertaining to its financial reporting,
safeguarding assets, spending, revenue raising, borrowing and investing activities during the year
ended [date]:

   *(List legislative and related authorities covered by this report. This list must include
   all governing authorities.)*

My examination was made in accordance with Canadian generally accepted auditing standards,
and accordingly included such tests and other procedures as I considered necessary in the
circumstances.

In my opinion, [Crown Agency X] has complied, in all significant respects, with the provisions of
the aforementioned legislative and related authorities during the year ended [date].

3.   The reliability of financial statements.

I have audited the balance sheet of [Crown Agency X] as at [date] and the statements of income,
retained earnings and cash flows for the year then ended. The [Crown Agency X]'s management
is responsible for preparing these financial statements for Treasury Board's approval. My
responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those
standards require that I plan and perform an audit to obtain reasonable assurance whether the
financial statements are free of material misstatement. An audit includes examining, on a test
basis, evidence supporting the amounts and disclosures in the financial statements. An audit also
includes assessing the accounting principles used and significant estimates made by
management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial
position of the [Crown Agency X] as at [date] and the results of its operations and its cash flows
for the year then ended in accordance with Canadian generally accepted accounting principles.

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